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Market Information  
NZX Limited  
Level 1,  
NZX Centre  
11 Cable Street  
Wellington  
New Zealand

Company Announcements Office  
Australian Stock Exchange Limited  
Exchange Centre  
Level 6, 20 Bridge Street  
Sydney NSW  
2000 Australia

## **TOWER LIMITED – ANNUAL MEETING ADDRESS**

Attached is a copy of the address and presentation to Tower's annual meeting of shareholders, held today at 11.00am.

**ENDS**

Hannah Snelling  
Company Secretary  
Tower Limited  
ARBN 088 481 234 Incorporated in New Zealand

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## **Tower ASM script**

### **SLIDE 1: COVER PAGE**

#### **MICHAEL STIASSNY**

Good afternoon ladies and gentlemen.

My name is Michael Stiasny. As it's now 11.00am, as Chairman of Tower Limited I am pleased to declare open Tower's Annual Meeting of shareholders.

On behalf of my fellow Directors, welcome to our shareholders and guests here at the Ellerslie Event Centre as well as those who have joined us via webcast. This is your meeting and we appreciate you making the effort to be here.

With me today are your directors, Warren Lee, Steve Smith, Graham Stuart, Wendy Thorpe, Marcus Nagel, along with our Chief Executive Officer, Richard Harding and Chief Financial Officer, Jeff Wright. Also in attendance today, seated in the front row, is the Tower Executive Leadership Team and our Auditors.



## **SLIDE 2: MEETING AGENDA**

Today's agenda is on the screen behind me.

We will provide you with an update on last year's performance, our strategy and the work we have underway to keep transforming Tower, as well as the progress we've made in recent months.

Following Richard's presentation, we will move to the formal resolutions set out in the Notice of Meeting.

Shareholders are welcome to ask general questions following the presentations and to ask specific questions on the resolutions to be considered as each is put forward.

I remind any media present that, while you are welcome, this is a meeting for shareholders. Richard and I will be happy to talk to you after the meeting.

Before we start the presentations, there are a few housekeeping matters to cover off.

- If you have a cell phone, please switch it off.
- If we need to evacuate this room for any reason, there are exits through the doors to my right and also the entrance you came through.
- In the event of an emergency, please listen to the instructions from the Ellerslie staff.



- Bathroom facilities are located along the corridor towards the lifts.
- If you are feeling unwell, please advise one of our Tower team who will assist you
- Finally, we hope that you will join us for refreshments at the conclusion of the meeting.

Let's now move on to the formal part of the meeting.

## **Formalities**

### **Apologies**

Are there any apologies?

(If not:) Thank you.

(If yes:) Thank you, I will ask the Secretary to record those in the minutes.

### **Quorum**

The Company's constitution specifies a quorum of 25 shareholders. As you can see, and as confirmed by Computershare, this requirement has been met.

### **Proxies**

In addition to those attending in person today, 646 shareholders, holding a total of 224,466,247 shares, have appointed proxies (including proxies instructed to abstain). The appointed proxies are represented by 10 proxy holders.



In my capacity as Chairman of the meeting and in my own name I hold proxies for 517 shareholders, representing 221,755,996 shares.

I intend to vote all undirected proxies I have received in favour of resolutions 1, 2 and 3.

### **Annual Report and Notice of Meeting**

The annual report was made available on Tower's website on 20 December 2019. Spare hard copies of the annual report are available in the registration area.

I propose that we take the Annual Report and Notice of Meeting as read.

### **SLIDE 3 – CHAIRMAN'S UPDATE**

Last year Tower celebrated 150 years of insuring New Zealanders. Naturally, over those years, the company has changed considerably.

A little over four years ago, Tower embarked on its latest – and arguably most difficult – transformation to date to reposition itself as a digital challenger brand. We believed that underpinned by a customer-focused, digital-first strategy Tower would step up to successfully compete in the 21st century insurance marketplace.

Our belief has not been misplaced. While transformation is never easy and there have been some bumps along the way, it is extremely gratifying to see Tower returning to profit in the 2019 financial year.



Your Board has long held the view that Tower is undervalued and the return to profit reflects the work done to remove legacy issues, refocus and grow the business and implement core insurance fundamentals.

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

As a result, the business has been simplified and is growing strongly, with more customers now choosing to insure with Tower.

I spoke to you last year about the importance of new technology and how this will accelerate our growth. Since then, the new IT platform has been successfully delivered with customers already noticing the improvements in our digital channel, and the business continuing to grow.

The significant uplift in customers using our digital channels to engage with and purchase Tower products is proof that our confidence in user-friendly technology is well placed.

Digital technology is a vital part of our plan and with this core infrastructure in place, we are now ready to capitalise on the value that exists in the Tower brand.

[PAUSE]

The successful completion of the Youi NZ acquisition earlier this year was an important signal to the market.



The acquisition adds over 32,000 new policies to our books and solidifies our position as a market challenger, providing more Kiwi's with a better, home-grown offering. As well as adding to our portfolio, the acquisition leverages our risk-based approach to pricing and investment in technology which will result in synergies that drive value for you.

Value will be achieved by providing these customers new offerings as their policies renew over the coming year.

[PAUSE]

The recent Australian Royal Commission and the RBNZ and FMA conduct and culture review have made it clear that the general public takes a dim view of the insurance industry and that change is needed.

Tower has taken this to heart and is leading by example – we are already actively pursuing a platform of insurance the way it “should” be. This perhaps gives us a jumpstart on the broader industry but there is no room for complacency.

The Board has already received and endorsed Tower's own conduct and culture review. And, while some aspects of our practice need further investigation, our undertaking is to ensure any shortcomings are improved.

The Board strongly supports Tower's challenge to the industry to regain the trust of the NZ public. We are keen to see all insurers respond to the conduct and culture review with action, not rhetoric. Collectively we can – and must – do better.



Interestingly, the conduct and culture review did not take into consideration the impact that the Earthquake Commission's response to the Canterbury earthquakes may have had on public perceptions of the insurance industry.

One suspects it was – and continues to be – significant.

If the same standards of customer care and engagement that are being applied to the private sector were applied to EQC and other agencies that form part of the Canterbury recovery, it would be found severely wanting and not at all customer centred.

A true step change in conduct and culture would see the industry join forces with the Government for an honest and transparent appraisal of the EQC and forge an agreement on a sustainable future model for the agency.

An EQC that delivers fair customer outcomes would have a significant impact on restoring New Zealanders' trust in the industry.

However, at its core, Tower's job – day in and day out – is to continue to earn and keep the trust of our customers.

[PAUSE]

Tower's FY19 results demonstrate a continuation and expansion of the positive trends we've spoken about over the past few years. We are delivering strong growth and value is being achieved through sound underwriting and investment. As a shareholder, you should have





confidence that our plan to deliver something better is having a positive impact.

[PAUSE]

Following the capital raise in 2019, Tower is in an even stronger capital position with solvency of 268% of the RBNZ minimum.

As we signalled with the capital raise, the ring-fencing of the EQC receivable and excluding it from Tower Insurance's solvency calculations means we are able to pursue litigation to maximise the recovery, which is looking more and more likely.

Tower's Board and management team remain strongly committed to paying dividends and to the efficient management of capital.

In FY16, we made the prudent decision to suspend payment of dividends as we managed the effects of the Canterbury Earthquake legacy.

This was only ever intended to be a short-term measure. As previously advised, in respect to the 2019 financial year, no dividend will be paid. 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.

[PAUSE]



You may have seen the recent announcement that Richard intends to step down as CEO at the conclusion of his current contract toward the end of the calendar year. A recruitment process is already underway allowing ample time for an appropriate handover period and smooth transition. We will keep you informed of developments.

However, as this is his last Annual Shareholder Meeting, on behalf of the Board I'd like to thank Richard for his efforts to date. He has successfully led Tower's transition from a traditional insurer to one that is profitable, nimble and ready to disrupt and challenge the industry. It has been no small feat.

Richard has built a management team who are committed and have the skills to complete and leverage the digital transformation. The Board also wishes to thank them and our frontline staff for their sustained efforts to deliver a strategy that has seen Tower return to profitability.

I'll now hand over to Richard, who will take you through the results and our plans for the business, before we take questions.

## [RICHARD HARDING](#)

### **SLIDE 4 – CEO'S ADDRESS TITLE SLIDE**

Thank you Michael and good morning everyone.

The 2019 Financial Year saw us return to profit as we continue to drive our strategy and transformation agenda forward. Last year, our focus



was on delivering a new IT platform that would underpin our future success and we successfully delivered this.

As well as delivering this major piece of work, we continued to simplify and improve all aspects of our business to differentiate ourselves, drive growth and control costs.

### **SLIDE 5 – THREE YEARS OF IMPROVING RESULTS**

It is immensely pleasing to report that Tower returned to profit in FY19, delivering a full year, reported result of \$16.8m after tax. This is a significant achievement and a \$23.5m improvement on the previous financial year, proof that our strategy is paying off.

Underlying profit after tax increased \$13.8 million, to \$27.4 million, a result of our relentless focus on improving all aspects of our business.

Over the past four years we have worked to completely transform Tower by fixing the foundations and we are growing the business by challenging and breaking industry norms. Our 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 continued to achieve solid growth. Gross Written Premium in the core New Zealand portfolio increased by 9.1% in the 2019 financial year, and total GWP reached \$356.8 million across New Zealand and the Pacific.



Our efforts to become a digital insurer are paying off, with 51% of new business coming through our digital channels in September 2019. This compares to less than 10% during 2016.

Over the year we delivered significant growth, with GWP through digital channels reaching \$20m in the second half. This is evidence that our belief and investment in digital will deliver value for the business and shareholders.

Continued implementation of risk-based pricing along with improved underwriting and a benign weather environment significantly reduced claims costs.

Over the year, our total claims ratio has reduced to 48.8%, a 7.6 percent reduction from 56.4% in 2018 thanks to benign weather and improved underwriting. Our claims costs excluding large events decreased to 48.4%, a 3.9 percent reduction from 52.3% in 2018.

In the 2019 financial year, our Pacific business returned to historical norms, with solid and profitable growth, improved underwriting and a benign weather environment delivering better results.

An increase to Canterbury provisions resulted in a \$1.3 million after-tax expense in the second half, which brought the full year impact to \$6m. This is principally due to the ongoing receipt of EQC over-cap claims and we continue to closely manage these issues to reduce ongoing risk and liability.

As I mentioned earlier, we successfully delivered and launched our new IT platform in 2019. New business is on sale and we are also migrating



customers to the new system. Operating expenses were slightly higher than previous years as our IT transformation drew to an end.

The successful delivery of our IT platform was an exciting milestone for Tower. We are now well positioned to maximise the benefits and opportunities this system offers.

Our business has transformed, and the company is vastly different to what it was four years ago. Our results demonstrate the long-held belief of the Tower Board and management team, that Tower offers an exciting platform for growth that we are now able to accelerate.

## **SLIDE 6 – 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.

Having returned to profit, we have a strong base to work from and implementing our strategy that leverages technology will allow us to truly challenge the market and drive substantial growth.

Our customers have told us that New Zealand insurers are complacent and lack transparency, which has led to a lack of trust.

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.



It's the right thing to do and it is going to drive industry wide change and deliver growth for 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 don't ask tricky, catch-all questions
- We're increasing transparency around risk, and insurance information and knowledge
- We're simplifying pricing and confusing discounts
- 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 risk-based pricing – so you pay fairly for the specific level of risk your property faces
- We removed the catch-all duty of disclosure question
- 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



- You may also be pleased to know that we recently achieved the Rainbow Tick as recognition of the efforts we are making around Rainbow diversity. This forms part of our broader diversity agenda to ensure we reflect the diversity of the community in which we operate.

All of this is just the start.

Tower is radically different from the company it was four years ago. We are now positioned to take on the New Zealand insurance market and challenge the large incumbent organisations who are slow to adapt.

We are offering customers something better which will drive growth and real value for our shareholders.

## **SLIDE 7 – SETTING UP FOR 2021**

Our plan has driven change and transformed the business. The work we have completed over the past few years has set us up well for the future and our focus is firmly on delivering shareholder value.

One of our biggest priorities is to migrate our 350,000 customers to our new platform and our new easy-to-understand products, reducing from a couple of hundred product variants, to a core set of just 12. This will be completed by the end of the 2020 calendar year.

We will build on the past seven consecutive halves of growth by continuing to price more fairly; working hard to deliver amazing claims experiences; and improving efficiency and profitability.



Together with our shift to a more agile operating model, Tower will deliver improvements progressively over the coming year, but FY21 is where the full benefits of our investment in technology will be fully realised.

In FY21 we can decommission complex legacy systems that currently take significant resource to manage and maintain.

We will be able to accelerate growth opportunities, improve customer experience, and – combined with our push to move 50 - 70% of all transactions online and a rationalised product set – deliver significant cost savings and productivity gains.

In the Pacific, our new operations centre will support local teams through improved product, pricing and underwriting capability to ensure we grow sustainably.

In short, we will continue to accelerate our customer-centred strategy and do our bit to raise the bar for the industry, by putting customers first and leveraging our new technology.

Our strategy and work programme is closely aligned to the outcomes of the recent conduct and culture reviews. While we know we're not perfect and there's more to do, we are making progress and working hard to maintain and build trust with our customers and stakeholders.

What we have achieved and the plan we have in place position us well for the future and will build trust, drive growth and deliver shareholder value.





## **SLIDE 8 – YOUI TRANSACTION COMPLETED**

In September 2019 we announced we had signed a Portfolio Transfer Agreement for the purchase of Youi NZ Pty Ltd's insurance portfolio.

Following approval from the RBNZ, the transaction settled earlier this year for a final purchase price of NZ\$12.7 million.

The purchase of Youi's NZ portfolio will also accelerate our growth and these customers will migrate progressively to Tower's new system over the coming year. The portfolio is well underwritten and utilises a risk-based pricing approach which aligns well with our own focus on underwriting excellence. It will also deliver a positive shift in the mix of our portfolio.

The acquisition drives shareholder value through realisation of scale benefits with our intention to incorporate the portfolio into Tower's existing reinsurance cover, and management expenses at marginal cost.

In September 2019, Tower announced that additional capital of \$47.2m was needed to facilitate a change in Tower Insurance's licence condition and the acquisition of the Youi NZ portfolio.

As Michael mentioned earlier, following the successful completion of the capital raise and the change in licence condition, Tower Insurance remains in a strong capital position with Actual Solvency Capital well above RBNZ minimum requirements.



We have ring-fenced the EQC receivable and are currently participating in an alternate dispute resolution process with the EQC. This process is now nearing its end and it is looking more and more likely that we will pursue litigation.

As at 31 January 2020, Tower Insurance Limited New Zealand's solvency margin is estimated to be \$87 million, which is equivalent to a solvency ratio of 268% of Minimum Solvency Capital.

### **SLIDE 9 – TRADING UPDATE TO 31 JANUARY**

As you have seen, our challenger-brand strategy is driving positive results and while only four months into this financial year, we are pleased to see positive momentum continuing.

Our ongoing push to differentiate ourselves from our competitors has seen continued GWP growth. Core New Zealand GWP is up 11 per cent, a result of customer growth and pricing improvements. Online sales remain strong with 55 per cent of sales now coming through our digital channels.

Customer migration is well underway with over 60,000 policies now transferred to our new IT system and our new simplified product set. Customer migration is now at full velocity at a rate of around 30,000 per month, and this will largely be complete by the end of the 2020 calendar year.

Once our customers are migrated to the new system, they will have access to the benefits it offers. Along with being rationalised to simplified and improved products, customers will be able to manage their policies,



payments and profiles completely online, lodge and track claims and easily understand what they're covered for.

To manage the migration successfully we are investing in our business, bringing 20 new frontline team members on board and re-organising our queues and processes to deliver a better experience to customers.

This will help reduce the wait times you may have experienced over the past few months. We are working hard to reduce this and wait times will improve as these new people join and our team fully adapt to the new systems and processes.

A reduction in costs will be achieved in the year after customer migration is completed and we remain firmly focused on controlling operational costs.

There is no change to Tower's previously communicated FY20 guidance of underlying NPAT of \$27 - \$30 million.

The Timaru hailstorm, while significant for the industry, had a smaller impact on Tower due to the fact we do not insure large commercial operations. The total cost of this weather event is currently \$4m pre-tax. As a result, \$4 million remains of the \$8 million allowance for large events in Tower's guidance for FY20.

Investment income is slightly below forecast due to the unexpected reduction of the Official Cash Rate by the RBNZ in the second half of 2019.



And in Canterbury, we continue to make progress closing claims, with claim numbers reducing from 109 at September 2019 to 81 at 31 January 2020.

[PAUSE]

These results demonstrate that the strategy, plan and team we have in place is delivering and the future looks bright.

[PAUSE]

Before I hand back to Michael, I want to thank the Tower executive and wider team. This is my last shareholder meeting as CEO, and it is bittersweet for me.

I am proud of what we have achieved. The company we have created is vastly different from what it used to be, and I know that so much opportunity still exists in this business.

While I am excited to return to my family in Sydney and spend more time with them, I will be closely following Tower's progress as its transformation into a digital insurer continues.

I'd like to thank the Board for their support over the past few years, it has been critical in our journey to transform Tower and achieve these positive results.

Thank you for your support as shareholders during my time here, I know that there have been some challenges, but we are on good footing now.



And thank you to everyone at Tower for your effort and a relentless focus on working together to drive change and transform this business.

**MICHAEL STIASSNY**

**SLIDE 11 – QUESTIONS TITLE SLIDE**

Thank you, Richard.

Are there any questions or comments anyone would like to make in regard to the presentation, the Annual Report or the Financial Statements?

If you wish to speak, please raise your hand, and a microphone will be brought to you.

We would appreciate it if you could please introduce yourself when you begin your remarks.

I remind you that this is a shareholders' meeting, and only shareholders and proxy holders may speak. Also, a reminder that this meeting is being webcast, so an audience outside of this room will hear you too.

Are there any questions or comments?

**[FOLLOWING ANY QUESTIONS OR DISCUSSION]**

If there are no further questions, I now propose that we move to the next item of business, which is the first resolution before the meeting.

## **SLIDE 12 – BOARD RESOLUTIONS TITLE SLIDE**

All voting will be by poll to be conducted at the end of the meeting, once all resolutions have been moved and discussed.

## **SLIDE 13 – BOARD RESOLUTIONS**

### **RESOLUTION 1 - Appointment and remuneration of auditor**

Section 207T of the Companies Act provides that a company's auditor is automatically re-appointed unless there is a resolution or other reason for the auditor not to be re-appointed. The Company wishes PricewaterhouseCoopers to continue as the company's auditor and PricewaterhouseCoopers has indicated its willingness to do so.

Section 207S of the Companies Act provides that the fees and expenses of the auditors are to be fixed in such manner as the company determines at the Annual Meeting. The Board proposes that, consistent with past practice, the auditor's fees be fixed by the directors.

I therefore:

- Record that the auditors, PricewaterhouseCoopers, are re-appointed as auditors; and
- Move that the directors be authorised to fix the auditor's remuneration for the coming year.

Is there any discussion?

**[FOLLOWING ANY QUESTIONS OR DISCUSSION]**



## **RESOLUTION 2 - Re-elect Michael Stiasny as a director**

I now move to the re-election and the election of directors.

As I am standing for re-election, I invite Graham Stuart to introduce and oversee the vote on resolution 2.

### **Graham Stuart TAKES OVER**

Michael retires by rotation and is offering himself for re-election.

I invite Michael to address this meeting on his proposed re-election.

### **[MICHAEL STIASSNY ADDRESS]**

Thank you Michael.

I will now move that Michael be re-elected as a director of Tower Limited

Is there any discussion?

### **[FOLLOWING ANY QUESTIONS OR DISCUSSION]**

### **Michael Stiasny TAKES OVER**

## **RESOLUTION 3 – Alteration of the constitution**



Resolution 3 is a special resolution to amend Tower's constitution. On 1 July 2019, Tower transitioned to the updated listing rules. In order for the constitution to align with the updated rules, a number of changes are proposed.

The proposed amendments are explained in the Notice of Annual Meeting. In principle, the amendments proposed are limited to those required to conform to the listing rules, including to update the director rotation and voting requirements.

In accordance with the Companies Act, this resolution is a special resolution and needs to be passed by a 75% majority of eligible votes submitted.

I therefore move that Tower Limited's existing constitution be altered in accordance with the amendments tabled at this Annual Meeting and signed by myself for the purpose of identification, with effect from the close of the Annual Meeting

Are there any questions on this resolution?

**[FOLLOWING ANY QUESTIONS OR DISCUSSION]**

**Voting**





We will now undertake a formal vote on the resolutions. If you wish to vote you will have either the Voting/Proxy Form sent to you with the notice of meeting, or a voting form given to you by Computershare when you entered the meeting.

When you cast your vote please tick one box, either for, against, or to abstain alongside each resolution. In all cases, please ensure that you sign the form once your vote has been cast.

If you are here as a proxy on behalf of a shareholder you will need to cast that shareholder's votes in order for them to be counted.

If you do not have a voting form please go to the registration desk at the entrance to this room to ask for help.

So, if you haven't already done so, please cast your votes. I will then ask Computershare to collect the voting papers. The votes will then be counted under the scrutiny of our auditor.

**[PAUSE FOR COMPUTERSHARE TO COLLECT PAPERS]**

Right, let's move on. The final item on our agenda is General Business:

**SLIDE 14 – GENERAL BUSINESS**

Are there any matters of General Business? Or any further questions?



The Directors will also be happy to answer questions from shareholders while refreshments are served at the end of the meeting. Any person wishing to speak should move to the microphone nearest to them and please introduce yourself.

*[Take questions from floor]*

**[FOLLOWING ANY QUESTIONS OR DISCUSSION]**

Thank you.

That brings us to the conclusion of our business today and it remains for me first, to thank you for your participation in today's meeting, and secondly to invite you to join the Board, Executive Leadership Team and Auditors for refreshments next door.

I declare the meeting closed. Thank you.