

2 August 2010

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### **TOWER Group Credit Ratings**

Global rating organisation A.M. Best Company has affirmed its ratings of companies in the TOWER Limited group.

The following were announced on 30 July 2010 by A.M. Best Company:

- TOWER Health & Life Limited: financial strength rating A- (Excellent)  
issuer credit rating a-
- TOWER Insurance Limited: financial strength rating A- (Excellent)  
issuer credit rating a-
- TOWER Life (N.Z.) Limited: financial strength rating A- (Excellent)  
issuer credit rating a-
- TOWER Limited: issuer credit rating bbb-

A copy of the A. M. Best news release is attached.

Yours faithfully



**Bronwyn Walsh**  
Company Secretary & Compliance Manager  
TOWER Limited  
ARBN 088 481 234 Incorporated in New Zealand



TLNZ, which predominantly writes group life business, was capitalized adequately for its rating level in 2009. The company's risk-adjusted capitalization, as measured by the BCAR, strengthened in fiscal year 2009, following strong growth in its group risk portfolio. However, TLNZ recorded the lowest net profit in the five years under review predominantly due to declines in investment earnings; profits flowing out of the closed book of participating business have somewhat stabilized earnings. As expected investment earnings have declined from previous levels, TLNZ's earnings are anticipated to remain at similar levels going forward.

The positive rating factors are partially offset by TOWER Insurance Limited's weakened capitalization, TLNZ's low absolute capitalization, the strong competition faced by THL and the uncertain implications of the change in taxation laws.

Despite the continual improvement in operating performance, TOWER Insurance Limited's risk-adjusted capitalization weakened primarily due to the repatriation of capital by its holding company, TOWER Limited. Although asset risk slightly decreased in 2009, an increase in underwriting risk and the decline in capital and surplus contributed to the weakened BCAR when compared to the previous year and its peers. Nonetheless, TOWER Insurance Limited's risk-adjusted capitalization remained supportive of its rating level.

The absolute capitalization of TLNZ is small, especially when compared with similarly rated life companies in New Zealand. This may raise issues such as scale and operating capabilities. Being part of the TOWER group mitigates these concerns, as TLNZ accesses group resources in the running of its business.

Partially as a consequence of strong competition, THL's policy count in health insurance has been steadily declining over the past five years. Increasing total premium due to an aging population obscures this issue. In addition to deteriorating lapse experiences, THL has experienced higher claims in its health portfolio and high commission expenses.

The magnitude of the impact of the legislated tax changes on the group's health and life business strategy is currently unknown; however, it is anticipated that insurers with higher tax buffers will be in a position to absorb the effects of higher taxation for longer periods.

For Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit [Best's Ratings & Analysis](#).

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at [Best's Credit Rating Methodology](#).

**Founded in 1899, A.M. Best Company is a global full-service credit rating organization dedicated to serving the financial and health care service industries, including insurance companies, banks, hospitals and health care system providers.**

[View a list of companies](#) related to this press release. The list will include Best's Ratings along with links to additional company specific information including related news and reports.

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