

1 August 2011

Market Information
NZX Limited
Level 2, 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 Group Credit Ratings

Global rating organisation A.M. Best Company has affirmed its ratings of companies in the TOWER Limited group as set out below:

- 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

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to risk associated with transferring a sister company to become a subsidiary, the BCAR remains adequate for the ratings. The company's capitalization is anticipated to strengthen in the current fiscal year on the back of profitable operations and a stable risk profile.

Lapse experience in THL's health portfolio has improved compared with the previous fiscal year due to the company pursuing an active retention program. Similarly, life lapse experience has seen a generally decreasing trend in the past few years.

Offsetting rating factors are the strong competition faced by THL and the uncertain implications in the change in taxation laws. THL has experienced a steady decline in health insurance policy count, although premium revenue has increased due to age-related increases as well as rate increases. Furthermore, legislated tax changes have impacted THL's business, and the company is continuously adjusting its strategy in reaction to actions of market participants.

TLNZ's moderate capitalization, established position in the group risk market and stable operating performance has contributed to its ratings, while offsetting rating factors include the company's reliance on brokers for business placement and exposure to operational risk.

TLNZ was capitalized adequately for the recommended rating level at 30 September 2010 despite its risk-adjusted capitalization significantly deteriorating due to a dividend payment of NZD 9.2 million. The company's group risk portfolio market share has declined in 2010; however, the company continues to hold a meaningful position in the group risk market, capturing approximately 15.6% of the group risk market (as measured by in-force premiums) at September 2010.

TLNZ recorded a moderate increase in net profits in 2010, generating strong investment returns. The settlement of inter-company tax balances dampened its profitability, and profits flowing out of the closed book of participating business, together with a continued reduction in management expenses, have contributed to earnings.

From a business risk perspective, TLNZ is essentially reliant on three international brokers, since over

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NEWS RELEASE

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70% of group business is derived from these brokers. Operationally, the recent corporate restructuring could potentially result in knowledge/process gaps resulting from loss of institutional knowledge, which may negatively impact TLNZ's operations.

The principal methodology used in determining these ratings is [Best's Credit Rating Methodology -- Global Life and Non-Life Insurance Edition](#), which provides a comprehensive explanation of A.M. Best's rating process and highlights the different rating criteria employed. Additional key criteria utilized include: "Understanding BCAR for Property/Casualty Insurers"; "Natural Catastrophe Stress Test Methodology"; "Assessing Country Risk"; "Rating Members of Insurance Groups"; "A.M. Best's Ratings & the Treatment of Debt"; and "Risk Management and the Rating Process for Insurance Companies." Methodologies can be found at www.ambest.com/ratings/methodology.

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