



27 July 2015

**For immediate release**

Market Information  
NZX Limited  
Level 2, NZX Centre  
11 Cable Street  
Wellington  
New Zealand

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

**TOWER Insurance Limited's Financial Strength Rating Affirmed**

Global insurance company ratings specialist A.M. Best Company has affirmed its financial strength rating for TOWER Insurance Limited as A- (Excellent).

The company's issuer credit rating was affirmed as a-.

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

TOWER Chief Executive Officer David Hancock today welcomed the ratings affirmation.

"It supports the confidence our investors and customers have in TOWER's financial stability and security, while maintaining our respected financial position with our global reinsurance partners.

"TOWER's very strong solvency position has allowed the company to maintain its excellent credit rating while continuing with our 90% to 100% dividend payout policy and the \$34 million share buy-back programme, commenced earlier last month," Mr Hancock said.

In its announcement, A.M. Best Company noted that the ratings of TOWER Insurance Limited reflect the company's favourable risk-based capitalisation and good operating performance. These are further supported by adequate underwriting leverage, prudent reinsurance arrangements and conservative investments.

A.M. Best Company also said TOWER Insurance Limited is maintaining a level of solvency capital that is significantly higher than its local minimum solvency capital.

**ENDS**

David Hancock  
Chief Executive Officer  
TOWER Limited  
ARBN 088 481 234 Incorporated in New Zealand

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Press Release - JULY 24, 2015

## A.M. Best Affirms Ratings of TOWER Limited and TOWER Insurance Limited

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### FOR IMMEDIATE RELEASE

SINGAPORE - JULY 24, 2015

**A.M. Best** has affirmed the financial strength rating of A- (Excellent) and the issuer credit ratings (ICR) of "a-" of **TOWER Insurance Limited** (TIL). A.M. Best also has affirmed the ICR of "bbb-" of the ultimate parent, **TOWER Limited** (TL). The outlook for all ratings remains negative. All companies are domiciled in New Zealand.

The rating affirmations mainly reflect TIL's favorable risk-adjusted capitalization and good operating performance.

TIL is currently maintaining a level of solvency capital that is significantly higher than its local minimum solvency capital. In addition, the company's risk-based capitalization, as evaluated by Best's Capital Adequacy Ratio (BCAR), is supported by adequate underwriting leverage, prudent reinsurance arrangement and conservative investments.

Over a five-year period, TIL's underlying net profits (excluding reserve strengthening and disposal of subsidiaries) remained consistently positive, benefiting from stable net investment yields, as well as a generally profitable book in New Zealand and Pacific Islands. The company's combined and operating ratios, on average, were reported at 96% and 91%, respectively.

The outlook remains negative, reflecting the potential financial consequences of the stated dividend policy. Although A.M. Best expects TIL to continue delivering good operating performance, the company has a dividend guidance to distribute 90-100% of its earnings as dividends. Prospectively, while the level of capital is expected to remain flat, as the company's premium revenue continues to grow, the growth of premium revenue will likely outpace the growth of capital, thereby leading to higher premium to capital ratio and thinner capital buffer under BCAR analysis.

The ratings and outlook of TL recognize the standard notching from TIL, its primary operating entity.

The ratings of TIL may be downgraded should the company's underwriting leverage continue to rise or operating trends begin to deteriorate significantly. Additionally, TIL's ratings may experience downward pressure if TL becomes excessively leveraged on a consolidated basis.

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

**This press release relates to rating(s) that have been published on A.M. Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please visit A.M. Best's [Ratings & Criteria Center](#).**

**A.M. Best Company is the world's oldest and most authoritative insurance rating and information source.**

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