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Information pack - TOWER Limited preliminary results for the six months ended 31 March 2012

Further to the announcement today of TOWER's results for the six months ended 31 March 2012, attached is a results information pack.



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Insurance | Investments | KiwiSaver



TOWER LIMITED

Results Information

Half Year Ended 31 March 2012



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1 Financial Overview

\$ MILLIONS (UNLESS STATED OTHERWISE)	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
PREMIUM AND FUNDS						
Group gross premium (12 month rolling)	471.0	445.8	429.0	425.3	416.0	419.4
Funds under management / advice	4,116.1	3,969.0	3,977.5	3,906.8	3,748.5	3,623.0
PROFIT						
Net profit after tax	23.6	20.4	13.0	30.0	28.1	23.5
Profit excluding the impact of discount rate	22.8	14.0	17.0	26.1	27.7	25.4
EQUITY						
Net assets	476.6	455.5	447.2	441.3	416.4	404.4
Shares on issue (millions)	266.4	265.2	263.6	260.6	258.7	254.8
DIVIDEND						
Cents per share	5.0	2.0	4.0	6.0	4.0	9.0
Dividend to earnings per share	56%	26%	82%	52%	37%	37%
EARNINGS RATIOS						
Earnings per share (cents per share)						
Profit attributed to shareholders	8.87	7.69	4.88	11.45	10.88	11.33
Return on equity (annualised)						
Profit attributed to shareholders	10.1%	9.0%	5.8%	14.0%	13.7%	14.3%
Profit excluding the impact of discount rate ⁽¹⁾	9.9%	6.3%	7.7%	12.2%	13.6%	15.3%
CAPITAL STRENGTH						
Gearing gross	14.6%	15.1%	15.3%	15.4%	16.2%	16.5%
Interest cover (times)	10.3	14.5	8.2	13.8	13.2	8.3
Financial strength rating - Health	A-	A-	A-	A-	A-	A-
Financial strength rating - Life	A-	A-	A-	A-	A-	A-
Financial strength rating - General Insurance	A-	A-	A-	A-	A-	A-
EV & VNB						
Embedded value ⁽²⁾	371.4	357.0	359.8	339.4	313.2	297.1
Change in embedded value (pre transfers) ⁽²⁾	14.4	(2.8)	20.4	24.2	19.2	21.7
Value of one year's new business	7.1	7.6	7.1	8.9	6.6	6.7
INSURANCE PROFIT RATIOS						
Insurance profit/(loss) to net earned premium ratio - Health	12.0%	5.3%	10.3%	1.9%	12.4%	8.0%
Insurance profit/(loss) to net earned premium ratio - Life ⁽¹⁾	40.0%	26.4%	10.9%	37.1%	46.9%	42.1%
Insurance profit/(loss) to net earned premium ratio - General Insurance ⁽¹⁾	8.1%	(4.8%)	7.1%	12.5%	16.6%	8.4%
MANAGEMENT AND SALES EXPENSES AND COST RATIOS						
Management and sales expenses	95.4	80.8	93.9	83.1	89.9	84.5
Cost to income ratio ⁽¹⁾	72.3%	72.8%	84.3%	61.2%	66.2%	70.7%
Staff numbers	833	831	783	749	761	773

(1) Calculation includes impact of catastrophe events in all periods. FY11 and Sep-10 adjusted to reflect this.

(2) Combined total of Health and Life

2 Results Summary

\$ MILLIONS	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Health	9.4	4.7	9.1	1.6	9.6	6.4
Life ⁽¹⁾	19.5	18.7	5.2	34.8	20.0	16.9
General Insurance	9.2	(0.3)	7.7	14.6	17.5	10.6
Investments	5.0	5.5	4.4	1.0	2.9	4.9
Finance & corporate expenses	(7.2)	(5.0)	(4.8)	(4.9)	(4.5)	(5.1)
Profit before tax	35.9	23.6	21.6	47.1	45.5	33.7
Income tax (expense)/credit	(13.1)	(9.6)	(4.6)	(21.0)	(17.8)	(8.3)
Profit excluding the impact of discount rate	22.8	14.0	17.0	26.1	27.7	25.4
Discount rate effect	0.7	6.4	(4.0)	3.9	0.4	(1.9)
Profit from continuing operations	23.6	20.4	13.0	30.0	28.1	23.5

Results to 31 March 2012

\$ MILLIONS	HEALTH INSURANCE	LIFE SHAREHOLDER	GENERAL INSURANCE	INVESTMENTS	CORPORATE	GROUP SHAREHOLDER	LIFE POLICYHOLDER	GROUP TOTAL
Insurance profit/(loss) and operating earnings	8.7	9.0	7.6	5.0		30.3	5.4	35.7
Investment income on shareholders' funds	0.7	5.1	1.6		1.8	9.2		9.2
Corporate expenses					(5.1)	(5.1)		(5.1)
Financing costs					(3.9)	(3.9)		(3.9)
Profit/(loss) before tax	9.4	14.1	9.2	5.0	(7.2)	30.5	5.4	35.9
Tax (expense)/credit	(2.6)	(1.7)	(3.8)	(1.4)	1.9	(7.6)	(5.4)	(13.1)
Profit/(loss) excluding the impact of discount rate	6.8	12.4	5.4	3.6	(5.3)	22.8	0.0	22.8
Discount rate effect		0.7				0.7		0.7
Profit/(loss) after tax	6.8	13.1	5.4	3.6	(5.3)	23.6	0.0	23.6

Results to 31 March 2011

\$ MILLIONS	HEALTH INSURANCE	LIFE SHAREHOLDER	GENERAL INSURANCE	INVESTMENTS	CORPORATE	GROUP SHAREHOLDER	LIFE POLICYHOLDER	GROUP TOTAL
Insurance profit and operating earnings	7.2	3.6	6.3	4.4		21.5	0.1	21.6
Investment income on shareholders' funds	1.9	1.5	1.4		2.2	7.0		7.0
Corporate expenses					(3.2)	(3.2)		(3.2)
Financing costs					(3.8)	(3.8)		(3.8)
Profit/(loss) before tax	9.1	5.1	7.7	4.4	(4.8)	21.5	0.1	21.6
Tax (expense)/credit ⁽²⁾	(2.6)	1.2	(3.1)	(1.3)	1.4	(4.5)	(0.1)	(4.6)
Profit/(loss) excluding the impact of discount rate	6.5	6.3	4.6	3.1	(3.4)	17.0	0.0	17.0
Discount rate effect ⁽²⁾		(4.0)				(4.0)		(4.0)
Profit/(loss) after tax	6.5	2.3	4.6	3.1	(3.4)	13.0	0.0	13.0

(1) Adjustment made on March 11 Life profit due to tax reclass.

(2) Discount rate tax methodology change applied.

3 Balance Sheet Summary

MARCH 2012

\$ MILLIONS	HALF YEAR ENDED					
	HEALTH & LIFE	GENERAL INSURANCE	INVESTMENTS	HEAD OFFICE & ELIMINATIONS	GROUP MAR-12	GROUP SEP-11
Cash & call deposits ⁽¹⁾	46.0	58.8	0.2	87.1	192.1	152.9
Total investment assets	856.2	147.4	0.1		1,003.7	1,029.8
Deferred acquisition costs	20.7	16.2	6.7		43.6	42.4
Intangible assets	13.1	17.7		48.0	78.8	72.7
Other operational assets/(liabilities)	97.8	512.4	24.9	(9.5)	625.6	678.7
Total assets	1,033.8	752.5	31.9	125.6	1,943.8	1,976.5
Policy liabilities & insurance provisions	(700.6)	(569.1)			(1,269.7)	(1,326.3)
External debt				(81.6)	(81.6)	(81.3)
Other operational (liabilities)/assets	(62.3)	(48.7)	(10.0)	5.1	(115.9)	(113.4)
Total liabilities	(762.9)	(617.8)	(10.0)	(76.5)	(1,467.2)	(1,521.0)
Total equity	270.9	134.7	21.9	49.1	476.6	455.5

Investment assets breakdown

Cash in transit ⁽¹⁾	0.0	0.0			0.0
Fixed interest securities (NZ)	524.6	60.2		0.0	584.8
Fixed interest securities (AUS)	0.0	48.1			48.1
Fixed interest securities (International)	5.3	27.4			32.7
Total fixed interest securities	529.9	135.7	0.0	0.0	665.6
Equity securities (NZ)	51.8				51.8
Equity securities (AUS)	0.0			0.0	0.0
Equity securities (International)	129.8	3.3			133.1
Total equities securities	181.6	3.3	0.0	0.0	184.9
Property securities	70.6	8.3	0.1		79.0
Derivative financial instruments	74.1	0.1			74.2
Total investment assets	856.2	147.4	0.1	0.0	1,003.7

Credit ratings for investment assets

MAR-12

Investment assets subject to credit rating	
AAA	221.1
AA	579.8
A	36.5
BBB or below	3.0
Unrated investments	79.7
	920.1
Investment assets not subject to credit rating	
Fixed interest securities	11.9
Equity securities	184.9
Property securities	78.9
	275.7
Total cash and investment assets	1,195.8
Cash and call deposits	192.1
Investment assets	1,003.7
Total cash and investment assets	1,195.8

(1) Cash in transit has been included in the investment assets portfolio.

Balance Sheet Summary

MARCH 2011

\$ MILLIONS	HEALTH & LIFE	GENERAL INS	INVESTMENTS	HEAD OFFICE & ELIMINATIONS	GROUP MAR-11	GROUP SEP-10
Cash & call deposits	32.6	38.2	2.0	114.9	187.7	138.5
Total investment assets	828.9	182.0	0.2	1.2	1,012.3	1,094.3
Deferred acquisition costs	21.2	13.6	7.4		42.2	43.6
Intangible assets	13.1	17.7		30.9	61.7	55.0
Other operational assets/(liabilities) ⁽¹⁾	118.4	467.9	20.2	(21.2)	585.3	286.2
Total assets	1,014.2	719.4	29.8	125.8	1,889.2	1,617.6
Policy liabilities & insurance provisions	(723.7)	(533.6)			(1,257.3)	(980.4)
External debt				(80.9)	(80.9)	(80.6)
Other operational (liabilities)/assets	(61.5)	(51.0)	(8.9)	17.6	(103.8)	(115.3)
Total liabilities	(785.2)	(584.6)	(8.9)	(63.3)	(1,442.0)	(1,176.3)
Total equity⁽¹⁾	229.0	134.8	20.9	62.5	447.2	441.3

Investment assets breakdown

Cash in transit ⁽²⁾	26.1	31.4			57.5
Fixed interest securities (NZ)	471.9	57.2			529.1
Fixed interest securities (AUS)		49.3			49.3
Fixed interest securities (International)	3.6	31.8			35.4
Total fixed interest securities	475.5	138.3	0.0	0.0	613.8
Equity securities (NZ)	50.2				50.2
Equity securities (AUS)				1.2	1.2
Equity securities (International)	146.3	3.2			149.5
Total equities securities	196.5	3.2	0.0	1.2	200.9
Property securities	78.2	9.1	0.2		87.5
Derivative financial instruments	52.6				52.6
Total investment assets	828.9	182.0	0.2	1.2	1,012.3

Credit ratings for investment assets

MAR-11

Investment assets subject to credit rating	
AAA	64.0
AA	543.7
A	133.2
BBB or below	8.4
Unrated investments	89.9
	839.2
Investment assets not subject to credit rating	
Fixed interest securities	72.4
Equity securities	200.9
Property securities	87.5
	360.8
Total cash and investment assets	1,200.0
Cash and call deposits	187.7
Investment assets	1,012.3
Total cash and investment assets	1,200.0

(1) Adjustments made to March 2011 carrying value due to a reclass of investment between Health & Life and head office.

(2) Cash in transit has been included in the investment assets portfolio.

4 Business Unit Performance

Health Insurance - Analysis of profit

\$ MILLIONS	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Net premium	72.6	70.9	69.7	68.2	67.7	66.3
Incurred claims	(37.3)	(39.9)	(37.1)	(44.7)	(37.3)	(38.0)
Premium payback payments	(9.0)	(10.2)	(9.9)	(7.3)	(6.0)	(5.5)
Management and sales expenses	(19.0)	(18.6)	(17.8)	(18.1)	(17.5)	(18.3)
Movement in policy liabilities	0.2	(2.2)	3.2	(3.5)	(0.1)	0.4
Investment income on assets backing policy liabilities	1.2	3.7	(0.9)	6.7	1.6	0.4
Insurance profit	8.7	3.7	7.2	1.3	8.4	5.3
Investment income on shareholders' funds	0.7	1.0	1.9	0.3	1.2	1.1
Profit before tax	9.4	4.7	9.1	1.6	9.6	6.4
Income tax expense	(2.6)	(1.5)	(2.6)	(0.8)	(2.9)	(1.9)
Profit after tax	6.8	3.2	6.5	0.8	6.7	4.5

Health Insurance - Profit summary

\$ MILLIONS	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Planned profits	6.2	5.0	7.0	5.3	6.9	3.3
Experience (loss)/profit	0.1	(2.5)	(1.8)	(4.7)	(1.1)	0.4
Insurance profit net of tax	6.3	2.5	5.2	0.6	5.8	3.7
Investment income on shareholders' funds (net of tax)	0.5	0.7	1.3	0.2	0.9	0.8
Profit after tax	6.8	3.2	6.5	0.8	6.7	4.5

COMMENTS

Health Insurance profit has increased from the September 2011 half year mainly due to seasonal effects. Net profit is \$0.3m higher than the corresponding period last year.

A small experience profit was made as the effect of premium increases more than offset underlying claim cost increases.

Health Insurance - Change in embedded value

\$ MILLIONS	TOWER MEDICAL
Embedded value as at 30 September 2011	116.5
Expected increase in value of in-force	3.3
Experience:	
Investment earnings	(0.3)
Other	(0.3)
Changes in assumptions:	
Investment earnings	0.0
Other	0.0
Value from new business	0.2
Miscellaneous:	
Dividend Received / (Paid)	0.0
Other	0.0
Embedded value as at 31 March 2012	119.4

COMMENTS

The Embedded Value has increased slightly less than expected. The main reasons for this were:

- a small investment loss due to increase in credit spreads
- higher than expected lapses.

The value of new business written in TOWER Medical Insurance continues to be positive.

Health Insurance - Change in value of one year's new business

\$ MILLIONS	TOWER MEDICAL
Value of one year's new business as at 30 September 2011	0.4
Change in one year's volumes and mix of business	0.0
Changes in assumptions:	0.0
Other	0.0
Value of one year's new business as at 31 March 2012	0.4

COMMENTS

Our assessment of future new business value remains stable.
Refer to page 9 for assumptions used.

Health Insurance - Embedded value and value of one year's new business

	MAR-12	SEP-11	MAR-11	SEP-10
\$ MILLIONS	TOWER MEDICAL	TOWER MEDICAL	TOWER MEDICAL	TOWER MEDICAL
Net worth	32.1	25.5	22.2	15.8
Value of in-force business	87.3	91.0	93.1	95.7
Embedded value	119.4	116.5	115.3	111.5
Value of one year's new business	0.4	0.4	0.5	0.5

Health Insurance - Assumptions and sensitivity analysis

Assumptions

	MAR-12	SEP-11	MAR-11	SEP-10
	TOWER MEDICAL	TOWER MEDICAL	TOWER MEDICAL	TOWER MEDICAL
Inflation				
Discount rate	11.0%	11.0%	11.0%	11.5%
Earnings assumption (net of tax) ranges	2.5% - 3.5%	2.5% - 3.5%	2.5%	3.4%
Expenses inflation	2.0%	2.0%	2.0%	2.0%

Sensitivity analysis

	MAR-12	SEP-11	MAR-11	SEP-10
\$ MILLIONS	TOWER MEDICAL	TOWER MEDICAL	TOWER MEDICAL	TOWER MEDICAL
Base appraisal value	121.1	118.2	117.4	114.0
Appraisal value assuming:				
Discount rate 1% higher	116.2	113.7	113.3	109.8
Investment returns 1% higher	121.8	119.4	118.5	118.0
Discontinuance rate 10% higher	114.0	110.2	114.8	108.3
Renewal expenses 10% higher	115.3	113.6	111.9	108.4

Life - Analysis of profit

\$ MILLIONS	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Net premiums	36.0	34.5	34.0	32.7	31.7	30.9
Policyholder maturities	(21.7)	(24.0)	(30.3)	(25.5)	(20.2)	(27.7)
Life claims	(13.5)	(13.4)	(12.5)	(11.5)	(12.1)	(5.9)
Life claims catastrophe		1.1	(2.3)			
Management and sales expenses	(19.2)	(20.8)	(20.2)	(21.9)	(19.7)	(23.1)
Movement in policy liabilities	0.5	17.0	19.5	(9.4)	(11.0)	(11.3)
Investment income on assets backing policy liabilities	32.3	14.7	15.5	47.7	46.2	50.1
Insurance profit	14.4	9.1	3.7	12.1	14.9	13.0
Investment income on shareholders' funds	5.1	9.6	1.5	22.7	5.1	3.9
Profit before tax	19.5	18.7	5.2	34.8	20.0	16.9
Income tax (expense)/credit	(7.1)	(6.2)	1.1	(17.6)	(9.8)	(3.6)
Profit excluding the impact of discount rate	12.4	12.5	6.3	17.2	10.2	13.3
Discount rate effect	0.7	6.4	(4.0)	3.9	0.4	(1.9)
Profit after tax	13.1	18.9	2.3	21.1	10.6	11.4

Life - Profit summary

\$ MILLIONS	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Life insurance operating earnings						
Planned profits	8.2	8.9	8.7	7.7	7.1	8.0
Experience (loss)/profit	0.5	(3.2)	(3.3)	(3.7)	0.7	2.7
Insurance profit net of tax	8.7	5.7	5.4	4.0	7.8	10.7
Investment income on shareholders' funds (net of tax)	3.7	6.8	0.9	13.2	2.4	2.6
Underlying profit	12.4	12.5	6.3	17.2	10.2	13.3
Discount rate changes	0.7	6.4	(4.0)	3.9	0.4	(1.9)
Profit after tax	13.1	18.9	2.3	21.1	10.6	11.4

COMMENTS

A strong underlying life insurance profit was recorded for the six month period on the back of favourable claims experience. Investment returns on shareholder funds were lower than in the September 2011 half year and there was only a modest discount rate effect.

Life Insurance - Change in embedded value

\$ MILLIONS	TOWER LIFE	TOWER HEALTH & LIFE
Embedded value as at 30 September 2011	52.7	187.8
Expected increase in value of in-force	1.5	8.7
Experience:		
- Investment earnings	1.9	0.3
- Other	0.5	0.2
Changes in assumptions:		
- Investment earnings	(3.0)	(0.3)
- Other	0.0	0.0
Value from new business	0.5	1.6
Miscellaneous:		
- Dividend Received / (Paid)	(4.7)	4.7
- Other	0.0	(0.4)
Embedded value as at 31 March 2012	49.4	202.6

COMMENTS

The primary contributors to the change in embedded value have been:

- A reduction in embedded value for TOWER Life New Zealand, mainly due to the dividend paid and the effect of lower interest earnings assumed;
- Positive value generated by TOWER Health & Life new business.

Life Insurance - Change in value of one year's new business

\$ MILLIONS	TOWER LIFE	TOWER HEALTH & LIFE
Value of one year's new business as at 30 September 2011	0.9	6.3
Change in one year's volumes and mix of business	0.0	(0.5)
Changes in assumptions:	0.0	0.0
Other	0.0	0.0
Value of one year's new business as at 31 March 2012	0.9	5.8

COMMENTS

The assessment of future new business that we expect to write has reduced from that determined as at September 2011.

Refer to page 12 for assumptions used.

Life Insurance - Embedded value and value of one year's new business

\$ MILLIONS	MAR12		SEP-11		MAR-11		SEP-10	
	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE
Net worth	17.4	43.1	18.1	32.3	19.3	31.3	17.5	26.7
Value of in-force business	32.0	159.5	34.6	155.4	41.9	152.0	41.1	142.7
Embedded value	49.4	202.6	52.7	187.8	61.2	183.3	58.6	169.3
Value of one year's new business	0.9	5.8	0.9	6.3	1.0	5.6	1.2	7.2

Life Insurance - Assumptions and sensitivity analysis

Assumptions

	MAR12		SEP-11		MAR-11		SEP-10	
	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE
Inflation								
Discount rate	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Earnings assumption (net of tax) ranges	2.9% to 4.5%	3.1%	3.0% to 4.8%	3.1%	3.5% to 6.0%	3.8%	3.2% to 6.0%	3.4%
Expenses inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Sensitivity analysis

\$ MILLIONS	MAR12		SEP-11		MAR-11		SEP-10	
	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE
Base appraisal value	53.3	225.5	56.5	212.8	65.2	205.7	63.3	198.3
Appraisal value assuming:								
Discount rate 1% higher	50.7	211.6	53.7	198.4	62.0	192.5	60.1	184.5
Investment returns 1% higher ⁽¹⁾	60.7	227.1	62.8	213.8	72.4	207.2	70.4	199.8
Discontinuance rate 10% higher	52.8	208.0	55.7	195.5	64.3	189.7	62.3	181.4
Renewal expenses 10% higher	52.4	220.0	55.3	207.8	63.8	201.3	62.0	193.4

(1) TOWER Life history restated to reflect method change to allow for offset effect in valuation of assets.

Health & Life - In-force premium (Rolling 12)

\$ MILLIONS	PERIOD ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Individual & Group Health	146.3	145.0	140.4	139.8	137.9	135.6
Individual Life	66.8	64.5	60.9	59.1	54.8	51.5
Group Life	19.9	19.4	18.5	17.9	18.2	20.0
Total in-force premium	233.0	228.9	219.8	216.8	210.9	207.1

Health & Life - Premium from new business

\$ MILLIONS	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Individual & Group Health	2.6	3.0	3.3	3.5	3.0	3.3
Individual Life	4.3	4.5	4.2	4.3	4.3	5.7
Group Life	0.8	0.9	0.5	1.2	0.5	2.0
Total new business	7.7	8.4	8.0	9.0	7.8	11.0

Health & Life - Lapses

%	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Individual & Group Health lapse	10.6%	11.6%	13.2%	10.8%	10.6%	13.4%
Individual Life lapse	12.1%	13.9%	10.9%	11.8%	11.1%	12.0%

Health & Life - Claims ratio⁽¹⁾

%	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Individual & Group Health	56.2%	62.2%	58.9%	65.6%	55.0%	59.0%
Individual Life	28.2%	38.9%	36.2%	27.4%	33.1%	31.5%
Group Life	42.0%	50.1%	84.6%	45.3%	46.8%	66.8%
All claims	48.6%	55.9%	54.3%	55.4%	49.6%	53.5%
Total Life	30.3%	40.7%	42.3%	32.3%	35.8%	38.4%

Health & Life - Management and sales expenses

\$ MILLIONS	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Management expenses	19.3	17.9	18.7	19.5	18.5	20.4
Commissions	18.8	21.4	19.3	20.5	18.7	21.0
Total expenses	38.1	39.3	38.0	40.0	37.2	41.4

(1) Excludes premium payback and annuities.

General Insurance - Analysis of profit

\$ MILLIONS	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Net premiums	93.9	78.1	89.2	92.5	90.8	95.3
- Gross earned premiums	113.9	106.2	102.1	104.8	101.5	104.2
- Reinsurance	(20.0)	(13.2)	(10.2)	(10.9)	(10.7)	(8.9)
- Catastrophe reinsurance reinstatement		(14.9)	(2.7)	(1.4)		
Claims	(44.9)	(41.8)	(44.6)	(48.3)	(46.0)	(56.7)
Claims catastrophe ⁽¹⁾	(5.5)	(9.1)	(5.0)	(5.0)		
Management and sales expenses	(38.8)	(35.0)	(35.9)	(32.3)	(33.6)	(35.2)
Underwriting profit	4.7	(7.8)	3.7	6.9	11.2	3.4
Investment income on assets backing technical reserves	2.9	4.1	2.6	4.7	3.9	4.6
Insurance profit	7.6	(3.7)	6.3	11.6	15.1	8.0
Investment income on shareholders' funds	1.6	3.4	1.4	3.0	2.4	2.6
Profit before tax	9.2	(0.3)	7.7	14.6	17.5	10.6
Income tax expense	(3.8)	(1.8)	(3.1)	(4.6)	(5.6)	(2.7)
Profit after tax	5.4	(2.1)	4.6	10.0	11.9	7.9

General Insurance - Gross written premiums (Rolling 12) and lapse

\$ MILLIONS	PERIOD ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
New Zealand	190.1	171.8	164.7	163.1	159.1	160.6
Pacific Islands	47.9	45.0	44.5	45.4	46.0	51.7
Total gross written premiums	238.0	216.8	209.2	208.5	205.1	212.3
Lapse rate	13.3%	12.7%	13.5%	14.4%	15.5%	16.8%

General Insurance - Net premiums and claims

\$ MILLIONS	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Net premiums ⁽²⁾	93.9	78.1	89.2	92.5	90.8	95.3
Claims	50.4	50.9	49.6	53.3	46.0	56.7
Claims ratio	53.7%	65.2%	55.6%	57.6%	50.7%	59.5%

General Insurance - Underwriting profits

\$ MILLIONS	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Underwriting profit	4.7	(7.8)	3.7	6.9	11.2	3.4
Combined ratio ⁽³⁾	95.0%	109.9%	96.0%	92.5%	87.7%	96.4%

General Insurance - Management and sales expenses

\$ MILLIONS	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Management expenses	30.8	27.6	29.1	27.4	25.3	26.2
Commissions	8.0	7.4	6.8	4.9	8.3	9.0
Total expenses	38.8	35.0	35.9	32.3	33.6	35.2

(1) Events > \$1m.

(2) Net premiums include net premium costs associated with the Christchurch earthquakes.

(3) Claims and costs to net premium ratio.

Analysis of profit - Investments

\$ MILLIONS	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Total income	18.9	19.3	19.0	19.9	18.2	21.0
Management and sales expenses	(13.9)	(13.8)	(14.6)	(18.9)	(15.3)	(16.1)
Profit before tax	5.0	5.5	4.4	1.0	2.9	4.9
Income tax expense	(1.4)	(1.8)	(1.3)	(0.2)	(0.9)	(1.4)
Profit after tax	3.6	3.7	3.1	0.8	2.0	3.5

Investments - Funds under management and advice ⁽¹⁾

\$ MILLIONS	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Total funds under management and advice	4,116	3,969	3,977	3,907	3,749	3,623
Total income	18.9	19.3	19.0	19.9	18.2	21.0

Investments - KiwiSaver

	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Funds under management (\$ millions)	764.1	673.6	579.2	505.3	402.4	326.5
Number of members	103,010	99,105	93,231	87,675	82,143	76,957
Average funds per member (\$)	7,418	6,796	6,212	5,763	4,899	4,243

Investments - Management and sales expenses

\$ MILLIONS	HALF YEAR ENDED					
	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10	SEP-09
Management expenses	11.7	12.6	12.6	16.3	13.2	13.5
Other expenses	0.0	0.0	0.0	0.0	0.1	0.1
Sales expenses	2.2	1.2	2.0	2.6	2.0	2.5
Total expenses	13.9	13.8	14.6	18.9	15.3	16.1

(1) Total funds under management includes funds from Kiwisaver.

5 Group Appraisal Value

\$ MILLIONS	HEALTH & LIFE	GENERAL INS	INVESTMENTS	HOLDINGS COMPANIES	GROUP MAR-12	GROUP SEP-11	GROUP MAR-11
Net worth	92.6				92.6	75.9	72.8
Value of In-force business	278.8				278.8	281.1	287.0
Embedded value	371.4	0.0	0.0	0.0	371.4	357.0	359.8
Value of 1 years new business	7.1				7.1	7.6	7.1
Value of Future new business	28.5				28.5	30.5	28.4
Appraisal value (enterprise value)	399.9	0.0	0.0	0.0	399.9	387.5	388.2
Fair value of net assets ⁽¹⁾		173.9	21.9	49.1	244.9	241.9	248.9
Appraisal value ⁽¹⁾	399.9	173.9	21.9	49.1	644.8	629.4	637.1

COMMENTS

The life companies' embedded values increased by a combined \$14.4m over the 6 months or an increase of 4.0%, whilst the appraisal values increased by \$12.4m.

The value of TOWER Insurance and other companies increased by \$3m, a return of 1.2%.

(1) Adjustment made to March 2011 to reflect fair value of net assets.

6 Group Carrying Value / Appraisal Value

\$ MILLIONS	MAR-12		SEP-11		MAR-11		SEP-10	
	CARRYING VALUE OF NET ASSETS	APPRAISAL VALUE	CARRYING VALUE OF NET ASSETS	APPRAISAL VALUE	CARRYING VALUE OF NET ASSETS	APPRAISAL VALUE	CARRYING VALUE OF NET ASSETS	APPRAISAL VALUE
Health & Life								
TOWER Health & Life	166.3	225.5	151.4	212.8	135.4	205.6	133.3	198.3
TOWER Medical	77.5	121.1	70.7	118.2	67.6	117.4	61.1	114.0
TOWER Life (NZ)	27.1	53.3	28.9	56.5	26.0	65.2	25.8	63.3
	270.9	399.9	251.1	387.5	229.0	388.2	220.2	375.6
General Insurance								
TOWER Insurance	134.7	173.9	128.7	166.2	134.8	165.5	147.7	177.1
	134.7	173.9	128.7	166.2	134.8	165.5	147.7	177.1
Investment Business								
TOWER Asset Management	9.2	9.2	10.6	10.6	8.1	8.1	6.5	6.5
TOWER Managed Funds	12.7	12.7	14.1	14.1	12.8	12.8	11.3	11.3
	21.9	21.9	24.7	24.7	20.9	20.9	17.8	17.8
Other								
TOWER Group head office	130.7	130.7	132.3	132.3	143.4	143.4	136.2	136.2
External debt	(81.6)	(81.6)	(81.3)	(81.3)	(80.9)	(80.9)	(80.6)	(80.6)
Total capital employed	476.6	644.8	455.5	629.4	447.2	637.1	441.3	626.1

COMMENTS

The appraisal value of total capital employed of TOWER Group is well in excess of the carrying value of its net assets. The ratios of appraisal value over carrying value for the insurance companies are:

	MAR-12	SEP-11	MAR-11
Health & Life	148%	154%	170%
TOWER Insurance	129%	129%	123%

