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Market Information
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NEW ZEALAND

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TOWER Life business sold to Fidelity

TOWER Limited today announced that it has sold most of its life insurance business to Fidelity Life Assurance Company Limited (Fidelity Life). The aggregate value of the transaction for TOWER, including cash consideration and release of capital, is \$189 million.

Fidelity Life is a New Zealand owned company that specialises in life insurance, personal protection, business insurance, savings, investment and KiwiSaver.

Under the agreement with Fidelity, TOWER will sell most of its non-participating life insurance policies and retain the capital currently held against those policies, releasing an aggregate amount of capital of \$189 million. In addition, TOWER will also retain its participating book and other run-off life insurance assets which have an embedded value of \$23 million. The sale implies a total value of \$212 million for TOWER's life insurance business.

TOWER Group Managing Director Rob Flannagan said TOWER would now focus on delivering high quality general insurance products and services to customers in New Zealand and the Pacific Islands, leveraging off its strong market position and brand reputation.

“We determined that now was a good time to maximise value to TOWER shareholders by selling this part of the life business. This concludes our strategic review. Going forward, we will be concentrating on growing shareholder value by developing and growing our specialist general insurance business,” he said.

Fidelity Life Chairman, Ian Braddock says the deal is significant for the company, making it the third largest life insurer in terms of in-force market share, and ensuring more opportunities for policy holders, staff and shareholders.

Mr Braddock added “It is important that we have a strong New Zealand owned company in our financial services industry. This will give us the scale to expand further into the market.”

Mr Flannagan said the half year results presentation on 28 May will include details of how TOWER will apply the proceeds of the transaction, including the amount of capital to be returned to shareholders. At that time, TOWER will also provide pro-forma financial information to reflect the sale of its life insurance business; information relating to the ongoing capital structure and earnings and dividend guidance for the ongoing specialist general insurance business and remaining assets.

Any TOWER life customers with queries can contact their adviser or call TOWER on 0800 754 754 for more information.

The sale of TOWER's Life insurance business is subject to terms and conditions customary for a transaction of this type. Subject to satisfaction and timing of conditions, settlement is likely to occur in July 2013.

ENDS

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