



28 July 2014

For immediate release

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Wellington
New Zealand

Company Announcements Office
Australian Securities Exchange Limited
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000
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TOWER Group Credit Ratings Affirmed

(Auckland, NZ) Global insurance company ratings specialist A.M. Best Company has affirmed its financial strength ratings of companies in the TOWER Limited Group as set out below:

- 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- (Good)

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

“We welcome the affirmation of our A- (Excellent) rating from A.M. Best Company, which supports the confidence our customers have in TOWER’s stability and security, and maintains our respected financial position with our reinsurers,” said TOWER Chief Executive Officer David Hancock.

In its announcement, A.M. Best Company noted that the ratings of TOWER Insurance reflect the company’s adequate risk-adjusted capitalisation and the benefits it receives from improving conditions for direct insurers in New Zealand. A.M. Best Company also said the company was showing good new business profitability.

ENDS

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NEWS RELEASE

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A.M. Best Affirms Ratings of TOWER Limited and Its Subsidiaries

HONG KONG, July 25, 2014—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)** and **TOWER Life (N.Z.) Limited (TLNZ)**. A.M. Best also has affirmed the ICR of “bbb-” of the parent holding company, **TOWER Limited (TL)**. The outlook for all ratings remains negative. All companies are domiciled in New Zealand.

The ratings of TIL reflect the company’s adequate risk-adjusted capitalization and the benefits TIL receives from improving conditions for direct insurers in New Zealand. The company also is showing good new business profitability.

An offsetting rating factor is TIL’s premium leverage outlook. TIL’s net premium leverage is expected to increase considerably over the next three years. At the same time, the parent’s ability to strengthen TIL’s capitalization if needed has been reduced due to low earnings retention and the disposal of capital-generating affiliates.

TLNZ’s ratings reflect the sound liquidity of its investment portfolio, adequate risk-adjusted capitalization and historically stable operating performance for its closed book of participating business. Risk-adjusted capitalization, as measured by Best’s Capital Adequacy Ratio (BCAR), has improved following a minimum solvency margin of NZD 15 million, required by the Reserve Bank of New Zealand as a condition to be granted full license on 26 August 2013.

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Offsetting rating factors include the likely continued capital drag from its parent and an expected deterioration over time in the expense ratio as fixed expenses will be spread out over a slowly diminishing book of business.

TLNZ is awaiting regulatory approval to be sold to a group of Australian-based investors. Once the sale is completed, the ratings of TLNZ will be revisited.

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

TIL and TLNZ each could see an outlook revision to stable if they separately maintain their risk-adjusted capitalization at a level that is well supportive of its ratings over the forecast period. A failure to do so could result in a negative rating action.

The methodology used in determining these interactive ratings is Best's Credit Rating Methodology, which provides a comprehensive explanation of A.M. Best's rating process and contains the different rating criteria employed in the rating process. Best's Credit Rating Methodology can be found at www.ambest.com/ratings/methodology.

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

This rating announcement has been issued by A.M. Best Asia-Pacific Limited, which is a subsidiary of A.M. Best Company. A.M. Best Company is the world's oldest and most authoritative insurance rating and information source. For more information, visit www.ambest.com.

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