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TOWER RATING AFFIRMED AS A- (EXCELLENT)

Global insurance company ratings specialist A.M. Best Company has affirmed Tower Insurance Limited (TIL) and Tower Limited's (TL) financial strength rating as A- (Excellent), reflecting Tower's very strong balance sheet and solid business performance.

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

In its announcement, A.M. Best Company noted that TIL's balance sheet is very strong and that the positive operating profits generated by the business over a five-year period show that Tower's strong focus on delivering profitable growth will help it maintain positive underwriting and operating results over time.

Tower Chairman Michael Stiasny welcomed the affirmation from A.M. Best.

"A.M. Best's announcement confirms the Board and management's view that Tower's underlying business is strong and that significant potential exists in its transformation."

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

ENDS

TOWER
Michael Stiasny
Chairman
Tower Limited
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To arrange media interviews, please contact in the first instance:

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Press Release - MARCH 09, 2018

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A.M. Best Removes From Under Review With Negative Implications and Affirms Credit Ratings of TOWER Insurance Ltd. and TOWER Ltd.

Related Companies

For information about each company, including the Best's Credit Reports, group members (where applicable) and news stories, click on the company name. An additional purchase may be required.

AMB#	Company Name
085484	TOWER Insurance Limited
089186	TOWER Insurance Limited
091883	TOWER Limited

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FOR IMMEDIATE RELEASE

SINGAPORE - MARCH 09, 2018

A.M. Best has removed from under review with negative implications and affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating (Long-Term ICR) of "a-" of **TOWER Insurance Limited** (TIL) (New Zealand). Concurrently, A.M. Best has removed from under review with negative implications and affirmed the Long-Term ICR of "bbb-" of TIL's ultimate parent, **TOWER Limited** (TL) (New Zealand). The outlook assigned to these Credit Ratings (ratings) is stable.

The ratings reflect TIL's balance sheet strength, which A.M. Best categorizes as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management (ERM).

On Aug. 16, 2017, A.M. Best placed the ratings of TIL and TL under review with negative implications due to the group's relatively weak balance sheet strength for the rating levels. The major concern at that time was that the group's balance sheet was very susceptible to the reserve risks in relation to the open claims for the Canterbury earthquakes and the dispute over an adverse development cover with Peak Re related to the February 2011 earthquake.

Since then, the group has completed a capital raise of approximately NZD 65.3 million and has recently entered into a settlement agreement with Peak Re. Although this settlement will result in an after-tax write-off of NZD 15.6 million for fiscal-year 2018, A.M. Best expects the group's balance sheet strength to remain very strong, given its strengthened capital base.

TIL's balance sheet strength assessment is very strong, which is reflective of its conservative underwriting leverage, prudent reinsurance program and highly liquid investment portfolio. Despite the continued progress being made to finalize the outstanding claims for the Canterbury earthquakes, approximately 300 claims remain open, which could expose TIL's overall earnings to considerable reserving risk. This risk is mitigated partially by the group holding a significant level of excess capital.

Excluding the impact associated with the Canterbury earthquakes, TIL's current book of business has been generating positive operating profits over a five-year period. This is underpinned by a profitable underwriting portfolio that consists mostly of short-tail personal lines insurance products. While the business has continued to grow, principally through its digital channels, management and sales expenses have remained relatively flat, resulting in a reduction in the expense ratio. A.M. Best believes the company's strong focus on delivering profitable growth will help it maintain positive underwriting and operating results over time.

TIL predominantly operates in New Zealand, with some of its general insurance operations based in the Pacific Islands. As a medium-sized local insurer, the company holds an overall market share of less than 5% in New Zealand. Its core product offerings are home and motor insurance in New Zealand, with a significant portion of the company's business sourced from direct marketing and partnerships.

A.M. Best views TIL's ERM to be appropriate, based on the company's current size and risk profile. This is supported by its strong focus on claims management, profitable underwriting and improving its operational efficiency. A.M. Best thus considers TIL's risk management capabilities to be aligned appropriately with its risk profile.

While positive rating actions are unlikely, downward rating pressure could result if there is significant deterioration in TIL's risk-adjusted capitalization or financial performance. Additionally, the ratings could be downgraded if there is material deterioration in the credit profile of TIL's ultimate parent, TL.

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

This press release relates to Credit Ratings 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 see [A.M. Best's Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Understanding Best's Credit Ratings](#). For information on the proper media use of Best's Credit Ratings and A.M. Best press releases, please view [Guide for Media - Proper Use of Best's Credit Ratings and A.M. Best Rating Action Press Releases](#).

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