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Incorporated in New Zealand

15 May 2024

IFRS 17 AND INTERIM SOLVENCY STANDARD TRANSITION UPDATE

Tower today released the attached presentation on the new insurance accounting standard, IFRS 17 *Insurance Contracts*, and the Reserve Bank of New Zealand (RBNZ) Interim Solvency Standard (ISS), which now apply in the current financial year, FY24.

Tower Chief Financial Officer, Paul Johnston, says that the adoption of these new standards is not expected to have any material impact.

"Tower's strategy, profitability and dividend policy remain unaffected by the new standards, although the presentation and disclosure of information in Tower's financial statements from HY24 onwards will change," he said.

Full details of the disclosure changes are provided in the presentation, including the transitional adjustments to the Tower FY23 Balance Sheet and Statement of Comprehensive Income, which confirm the impacts are minimal and immaterial.

ENDS

This announcement has been authorised by:
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Chief Executive Officer
Tower Limited

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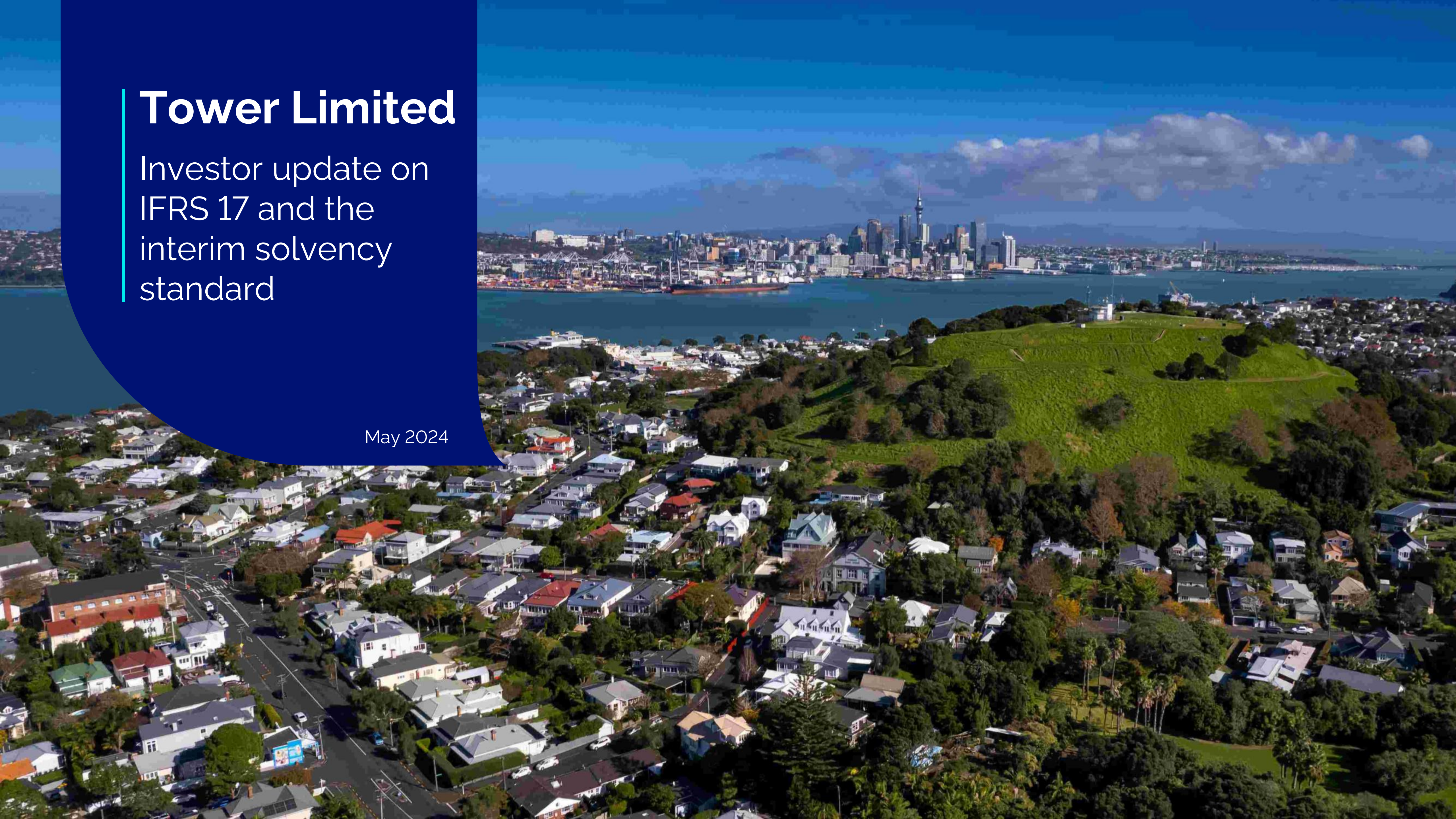
Tower Limited

Investor update on IFRS 17 and the interim solvency standard

May 2024



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IFRS 17

Accounting for insurance contracts

A new accounting standard

NZ IFRS 17 *Insurance Contracts* (**IFRS 17**) is a new accounting standard applicable to all insurance companies. Tower is required to comply with IFRS 17 from 1 October 2023. Tower's HY24 results, to be released in May 2024, will be the first interim reporting period under IFRS 17. Although Tower's financial statements will look quite different, the practical impact of IFRS 17 on Tower's operations is insignificant, as outlined below.

Strategy	Profitability	Cash & capital	Dividend policy
No impact to underlying business economics	No material changes to profitability or timing of revenue recognition	No material impact to capital or timing of cash flows	No change to dividend policy

Net assets	Reporting	Key metrics	Comparatives
Minor reduction, of $2.7m, in opening equity on transition	Changes to presentation and disclosure in financial statements	Existing key reporting metrics remain, supplemented by IFRS 17 metrics	FY23 comparatives have been restated under IFRS 17

Overview of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. It replaces NZ IFRS 4 *Insurance contracts* (**IFRS 4**).

Objectives of IFRS 17

- To establish consistent accounting principles for all insurance contracts across general, life and health insurance.
- To improve the transparency and comparability of financial disclosures.

Measurement model

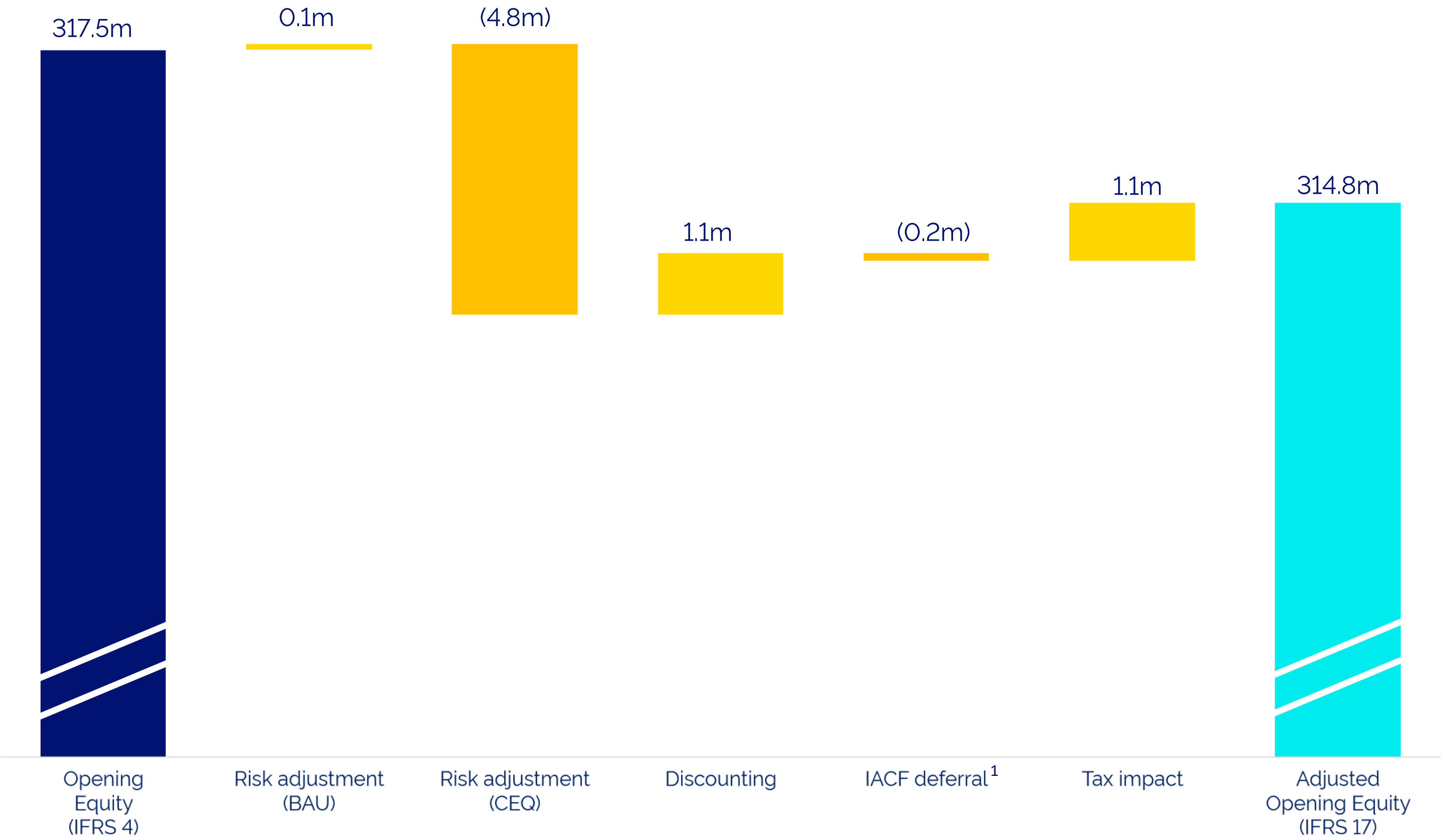
- Tower will apply the Premium Allocation Approach (**PAA**), a simplified approach allowed under IFRS 17 where insurance revenue is recognised over the term of the policy, similar to IFRS 4.
- All current Tower products meet the eligibility criteria to use the PAA measurement model.

Unaudited

- Tower has consulted with its professional advisers in the preparation of this Investor Update, however the comparatives contained within this presentation and the associated tables are unaudited.
- The comparatives will be covered by the audit opinion on Tower's FY24 year-end financial statements.

IFRS 17 initial impact

Adopting IFRS 17 reduced shareholders' equity by $2.7m as at 1 October 2022



- A transition adjustment has been calculated to record the impact of adopting IFRS 17 on opening equity for FY23.
- On transition to IFRS 17, at 1 October 2022, the net impact is a decrease in Group shareholders' equity of $2.7m.

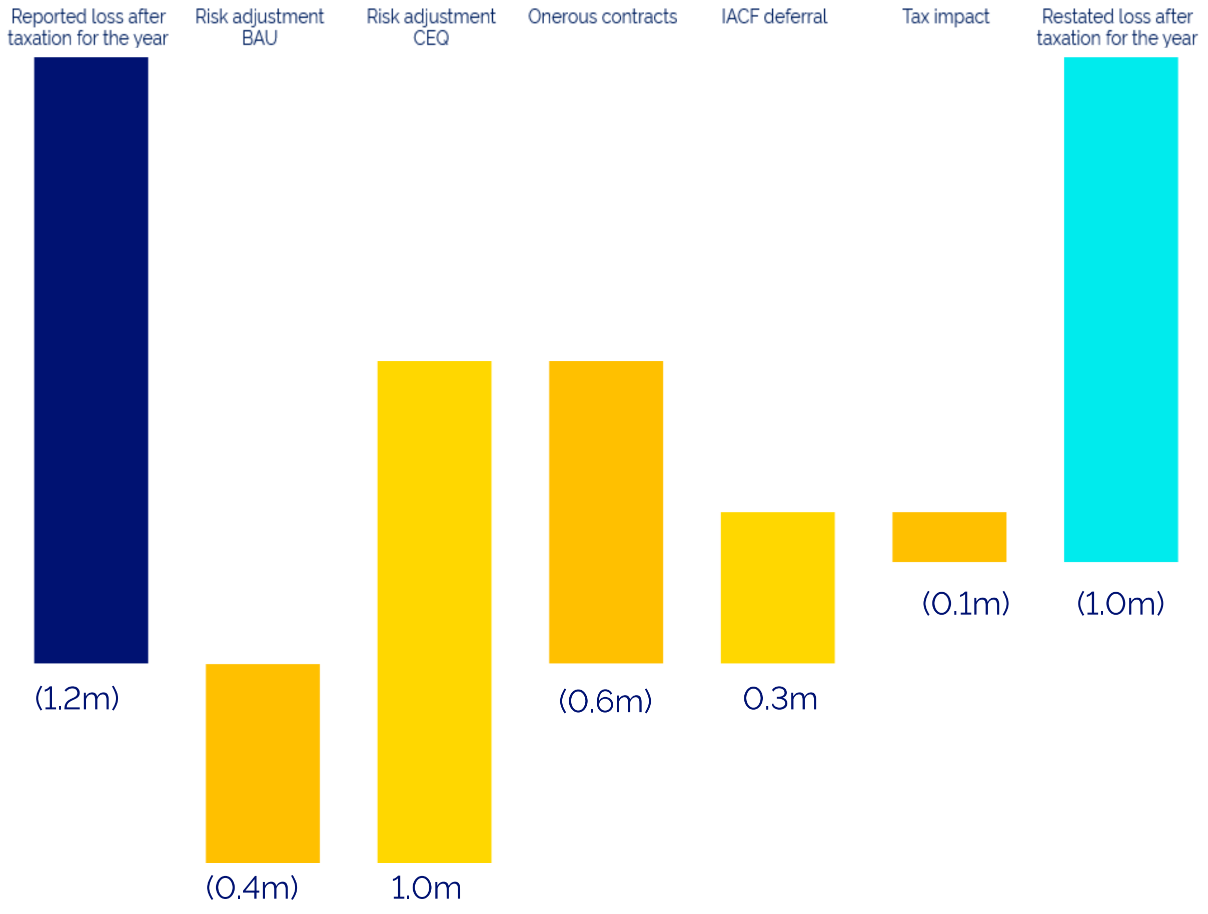
Note 1: deferred Insurance Acquisition Cash Flows (IACF) replaces the IFRS 4 concept of deferred acquisition costs

IFRS 17 adjustments to profit & loss

Adopting IFRS 17 reduced the FY23 net loss after tax by $0.2m

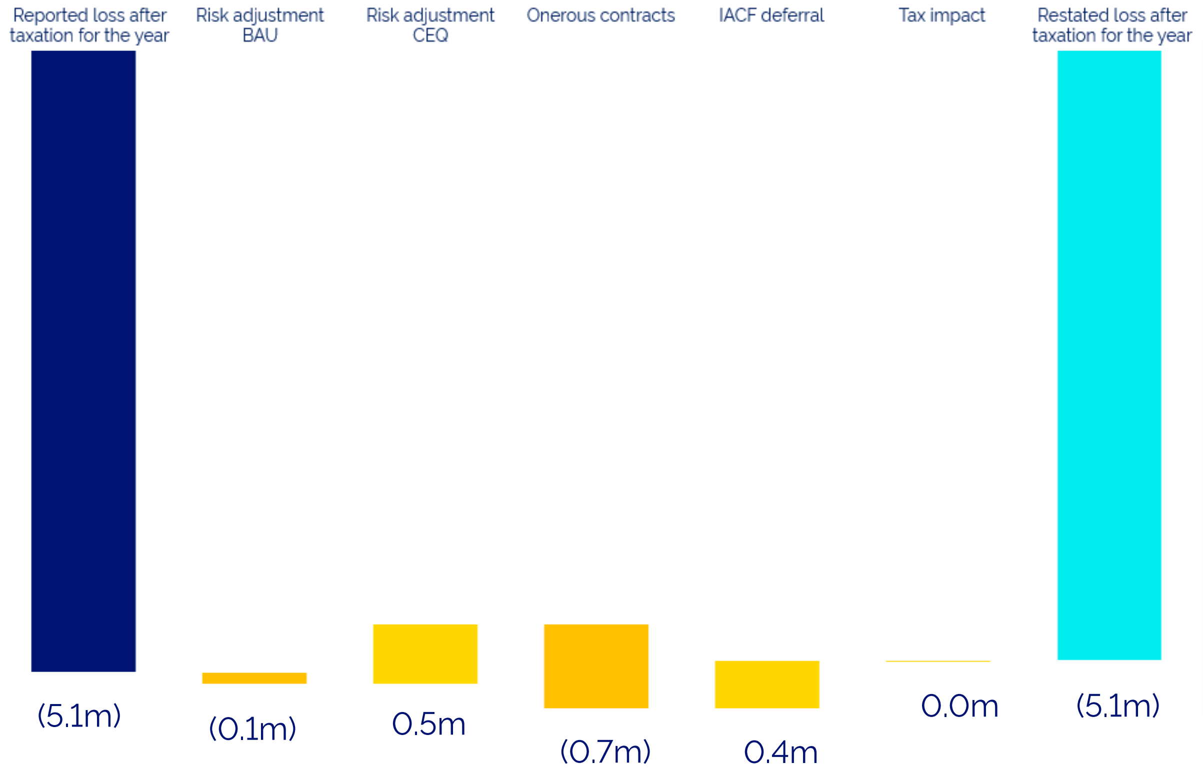
FY23

(Net loss after tax for the year ended 30 September 2023)



HY23

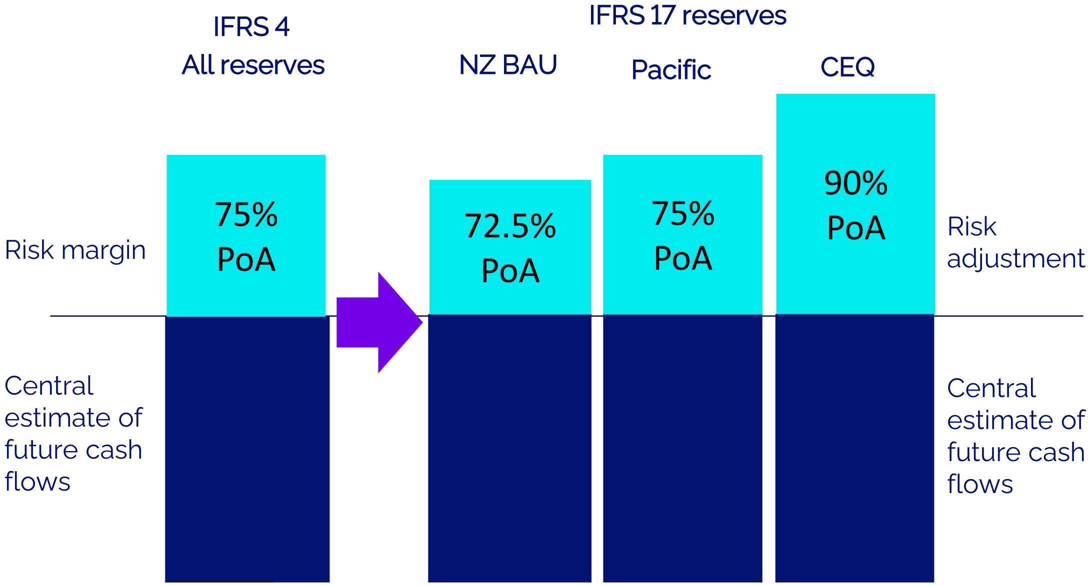
(Net loss after tax for the half year ended 31 March 2023)



Key measurement changes

From IFRS 4 to IFRS 17

Risk adjustment



On transition the NZ BAU cost of capital approach is equivalent to a 72.5% probability of adequacy for BAU claims

IFRS 17 risk adjustment replaces IFRS 4 risk margin

- The risk adjustment reflects the compensation the insurer requires for bearing uncertainty related to timing and amount of cash flows arising from non-financial risks, therefore where there is more uncertainty about future cash flows, the risk adjustment is expected to be larger. Tower has separately assessed the risk adjustment for NZ business as usual (**BAU**), Pacific and Canterbury Earthquake (**CEQ**) reserves.

- Tower will apply a 'cost of capital' approach in determining the risk adjustment for the BAU reserves. Tower will apply a 'confidence level technique', at a 75% probability of adequacy (**PoA**), for the Pacific reserves; and a 90% PoA for CEQ reserves.

- The impact of this change on transition for NZ BAU reserves is a $0.8m (pre-tax) increase to retained earnings, due to the reduction in PoA from 75% to 72.5%. This is partially offset by a group diversification benefit adjustment of $0.7m (pre-tax) decrease to retained earnings.

- The impact of this change on transition for CEQ reserves is expected to be $4.8m (pre-tax) decrease to retained earnings, due to the increase in CEQ PoA from 75% to 90%.

Discounting

Discount rate calculation

Risk-free rate (%)	+	Illiquidity premium (%)

- Tower has adopted a 'bottom-up' approach to derive the NZ discount rate. There is a no illiquidity premium applied on transition.
- All IFRS 17 claims reserves for NZ are discounted, while with IFRS 4 only certain reserves were discounted as at 1 October 2022. The impact of this change on transition is a $1.1m (pre-tax) increase to retained earnings.
- Tower will not discount Pacific liabilities for incurred claims (**LIC**) as the effect of discounting is immaterial.

Change in presentation of discounting

IFRS 4	→	IFRS 17
Net claims expense[1]: Present value adjustment on new claims + Discount unwind + Impact from changes in discount rates	→	**Insurance service expense[1]:** Present value adjustment on new claims **Insurance finance expense[2]:** Discount unwind + Impact from changes in discount rates

[1] Part of underwriting result or insurance service result
[2] Below insurance service result

TOWER

Onerous contracts

The IFRS 17 onerous contracts tests replaces the IFRS 4 liability adequacy test (LAT)

- An onerous contract test is performed for groups of insurance contracts where ‘facts and circumstances’ have indicated the group of contracts may be loss making for Tower.
- The test is completed at a more granular level than the LAT and is calculated gross of reinsurance, whereas the LAT was calculated net of reinsurance.
- If a group is considered onerous then a loss component is recognised against insurance service expenses in the statement of comprehensive income, and against Liability for Remaining Coverage (**LRC**) in the balance sheet.
- Onerous contracts do not change ultimate profitability, but do impact the timing of revenue recognition, with assessed future losses recognised immediately.

Onerous contracts calculation

Unearned premiums less deferred IACF[1] - **Discounted claims and expense forecast** = **Loss component (if < 0)**

- Although there were no onerous contracts as at transition date and therefore no impact to opening retained earnings, a provision for onerous contracts in the Fiji Motor portfolio was recognised in the restated profit & loss comparatives for HY23 ($0.7m pre-tax) and FY23 ($0.6m pre-tax)

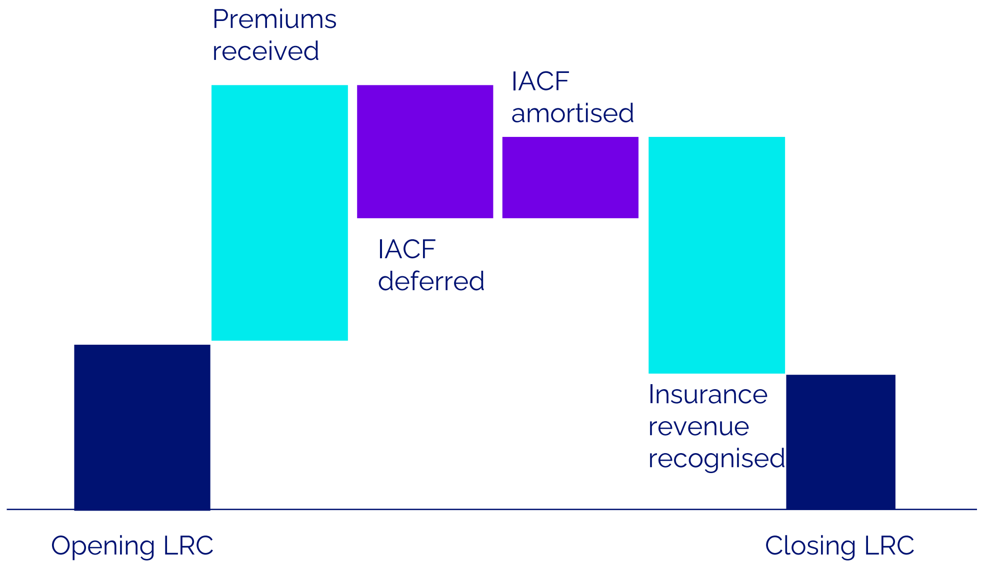
Note 1: deferred Insurance Acquisition Cash Flows (IACF) replaces the IFRS 4 concept of deferred acquisition costs

Insurance acquisition cash flows

IFRS 17 IACF replaces the IFRS 4 concept of acquisition costs

- Tower will defer IACF and recognise them across the life of the underlying insurance contracts, an approach that is consistent with deferred acquisition costs (**DAC**) under IFRS 4.
- The key difference in the amounts deferred under each method relates to costs considered non-attributable to insurance contracts under IFRS 17, which are excluded from the deferral.
- The impact of this change on transition is a $0.2m (pre-tax) decrease to retained earnings.

Calculation of liability for remaining coverage (LRC)



LRC is the liability representing the insurance coverage to be provided by Tower after the balance date. It is the equivalent of unearned premiums, premium receivables and deferred insurance costs under IFRS 4.

Restated financial statements and key metrics

Restated balance sheet

Our IFRS 17 balance sheet at 30 September 2023 and 1 October 2022

Restated consolidated balance sheet

$ thousands	**30-Sep-23**	**1-Oct-22**
Cash and cash equivalents	64,009	84,502
Investments	258,798	258,634
Receivables	16,797	13,408
Current tax assets	12,917	13,069
Assets classified as held for sale	11,505	16,673
Reinsurance contract assets	147,236	26,918
Deferred tax assets	16,074	16,492
Right-of-use assets	23,204	23,326
Property, plant and equipment	6,280	5,417
Intangible assets	98,524	94,653
Total assets	**655,344**	**553,092**
Payables	18,378	20,861
Liability for remaining coverage	44,614	43,343
Liability for incurred claims	241,195	121,569
Current tax liabilities	198	136
Liabilities classified as held for sale	7,609	5,119
Provisions	12,823	11,873
Lease liabilities	32,615	35,054
Deferred tax liabilities	178	339
Total liabilities	**357,610**	**238,294**
Net assets	**297,734**	**314,798**

- While restated **net assets** are materially consistent with IFRS 4, the **total assets** and **total liabilities** have decreased due to reclassifications required by IFRS 17.
- **Reinsurance contracts assets** represents the **asset for incurred claims (AIC)** comprising reinsurance recoveries previously held in **receivables** under IFRS 4, less the **asset for remaining coverage (ARC)** comprising the reinsurance premium payable previously held in **payables,** plus **deferred insurance costs** related to reinsurance.
- **Liability for remaining coverage (LRC)** represents the net liability to customers on insurance contracts, previously held in **receivables**, **unearned premiums** and **deferred insurance costs** under IFRS 4.
- **Liability for incurred claims (LIC)** is consistent with the **outstanding claims** under IFRS 4.
- The **reinsurance contract assets** and **LIC** increased at 30 September 2023 due to the large events occurring during FY23. The profit impact of these large events decreased the net equity of Tower from FY22 to FY23.

Refer to the appendices for a detailed reconciliation between the reported IFRS 4 and the restated IFRS 17 balance sheets

Restated statutory profit & loss

Our restated statement of comprehensive income for FY23 and HY23

Restated consolidated statement of comprehensive income

$ thousands	**30-Sep-23**	**31-Mar-23**
Insurance revenue	472,611	225,993
Insurance service expense	(604,851)	(445,668)
Net income from reinsurance contracts held	124,360	215,185
Insurance service result	(7,880)	(4,490)
Net investment income	14,329	6,277
Net insurance finance expense	(1,348)	(663)
Net insurance and investment result	5,101	1,124
Other income	5,727	2,724
Other operating expenses	(2,145)	(1,259)
Finance costs	(920)	(462)
Profit before taxation from continuing operations	7,763	2,127
Tax expense	(5,176)	(2,044)
Profit after taxation from continuing operations	2,587	83
Loss after taxation from discontinued operations	(3,609)	(5,135)
Loss after taxation for the year	(1,022)	(5,052)
Items that may be reclassified to profit or loss		
Currency translation differences	(1,494)	(2,130)
Reclassification of the foreign currency translation reserve	544	544
Other comprehensive loss net of taxation	(950)	(1,586)
Total comprehensive loss for the year	(1,972)	(6,638)

- **Insurance revenue** is consistent with **gross earned premium** under IFRS 4 plus **commission revenue** related to insurance contracts.
- **Insurance service expenses** is consistent with **gross claims, commissions** and **underwriting expenses** under IFRS 4.
- **Net income from reinsurance contracts held** is consistent with **outward reinsurance premium expense** and **reinsurance recoveries** under IFRS 4.
- **Net insurance finance expense** represents the discount unwind, and impact from changes in discount rates on **LIC** and **AIC.**
- IFRS 17 requires **non-attributable income and expenses** related to activities that do not directly relate to the fulfilment of insurance contracts to be disclosed separately from the **insurance service result** as **other income** and **other operating expenses.**

Refer to the appendices for a detailed reconciliation between the reported IFRS 4 and the restated IFRS 17 balance sheets

TOWER

Restated underlying profit and loss

Our restated IFRS 17 underlying profit and loss for FY23 and HY23

$ million	FY23 Restated underlying profit	HY23 Restated underlying profit
Gross written premium	526.8	245.0
Insurance revenue	**487.6**	**233.8**
Reinsurance expense	(69.5)	(32.2)
Net insurance revenue	**418.1**	**201.7**
Net claims expense - BAU	(230.2)	(103.0)
Net claims expense - large events	(38.2)	(33.9)
Large event reinsurance reinstatement	(17.4)	(3.4)
Management and sales expenses	(123.9)	(64.7)
Net commission expense	(10.1)	(5.8)
Net insurance service expense	**(419.8)**	**(210.8)**
Insurance service result	**(1.7)**	**(9.1)**
Net investment income	14.3	6.3
Net insurance finance expense	(1.3)	(0.7)
Other income and expenses	0.2	(0.9)
Underlying profit before tax	11.5	(4.4)
Income tax expense	(4.4)	0.8
Underlying net profit/(loss) after tax (NPAT)	**7.1**	**(3.7)**
Canterbury impact (net of tax)	(0.5)	(0.6)
All other non-underlying costs (net of tax)	(7.6)	(0.8)
Reported loss after tax	**(1.0)**	**(5.1)**
BAU claims ratio	55.1%	51.1%
Large events claim ratio	13.3%	18.5%
Expense ratio	32.0%	35.0%
Combined Operating Ratio	**100.4%**	**104.5%**

- **Net claims expense for large events** relates to the large events occurring during FY23 (including the Auckland & upper North Island weather event, Cyclones Gabrielle, Judy and Kevin). The profit impact of these large events decreased the underlying profit for Tower in 2023. The large events claims ratio improved between HY23 and FY23 as there were fewer large events in the second half.
- **BAU claims ratio** has a minor improvement under restatement due to an increase in net insurance revenue and the unwind of the discount on LIC now excluded from claims expense.
- **Expense ratio** has a minor improvement under restatement due to a reclass of non-attributable expenses from **management and sales expenses** to **other income and expenses**, partially offset by the onerous contract expense.

Refer to appendices for reconciliation to statutory reporting

TOWER

Changes in key metrics

Metric	Definition	Impact from IFRS 17 adoption
Gross written premium (**GWP**)	The total premiums on insurance, excluding taxes and levies, underwritten by Tower during the financial reporting period, before deduction of any reinsurance premium	Gross Written Premium does not exist under IFRS 17 however will continue to be provided as part of our reporting
Insurance revenue	The portion of premiums recognised as revenue in the accounting period, reflecting insurance coverage provided during the period	This is a new metric approximately equivalent to gross earned premium (**GEP**) under IFRS 4, plus insurance commission relating to insurance contracts
Net insurance revenue	Insurance revenue less reinsurance expenses	This is a management metric approximately equivalent to net earned premium (**NEP**) under IFRS 4
Insurance service result	Comprises insurance revenue, insurance service expenses and reinsurance income and expenses	This is a new metric approximately equivalent to underwriting profit under IFRS 4 (excluding some non-attributable costs)
BAU claims ratio	BAU claims expense (net of reinsurance recoveries) as a percentage of net insurance revenue	There will be a minor decrease in this ratio due to the unwind of the discount which is now excluded from claims expense
Large events claims ratio	Large events claims expense (net of reinsurance recoveries) as a percentage of net insurance revenue	There will be a minor decrease in this ratio due to the increase in net insurance revenue
Management expense ratio (**MER**)	Management and sales expense as a percentage of net insurance revenue	There is a small decrease in this ratio due to the non-attributable expenses that are excluded from insurance service expense under IFRS 17, partially offset by the onerous contract expense
Combined operating ratio (**COR**)	The sum of the BAU and large event claims ratios, and MER as a percentage of net insurance revenue	Minor impact from the above changes

Interim Solvency Standard

Overview of ISS

The RBNZ has introduced the Interim Solvency Standard 2023 (**ISS**), which replaces the Non-Life Solvency Standard (**NLSS**). Tower is required to comply with the ISS under its conditions of licence, from 1 October 2023. The ISS requires quarterly reporting on Tower's solvency position. Tower's solvency ratios and margin have changed, but we do not expect that to substantially change our strategy or the way we manage capital, as outlined below.

Strategy	Solvency ratios	Solvency margin	Dividend policy
No impact to underlying business economics	Decrease to solvency ratio, reflecting a change in presentation	Increased, reflecting a lower prescribed capital requirement (**PCR**)	No change to our dividend policy

Parts of the ISS need clarification or are not currently working as intended. The RBNZ is consulting on a proposed second amendment[1] to the ISS, which is not expected to be issued and effective until Tower's 2025 financial year. The additional proposed changes to the ISS are likely to have a material impact on Tower's regulatory solvency position and will reduce the solvency margin to a level closer to that previously reported under the NLSS. However, the second amendment does not affect the regulatory solvency position unless and until it comes into effect.

Note 1: https://www.rbnz.govt.nz/have-your-say/2020/review-of-the-insurance-solvency-standards

Summary of key changes

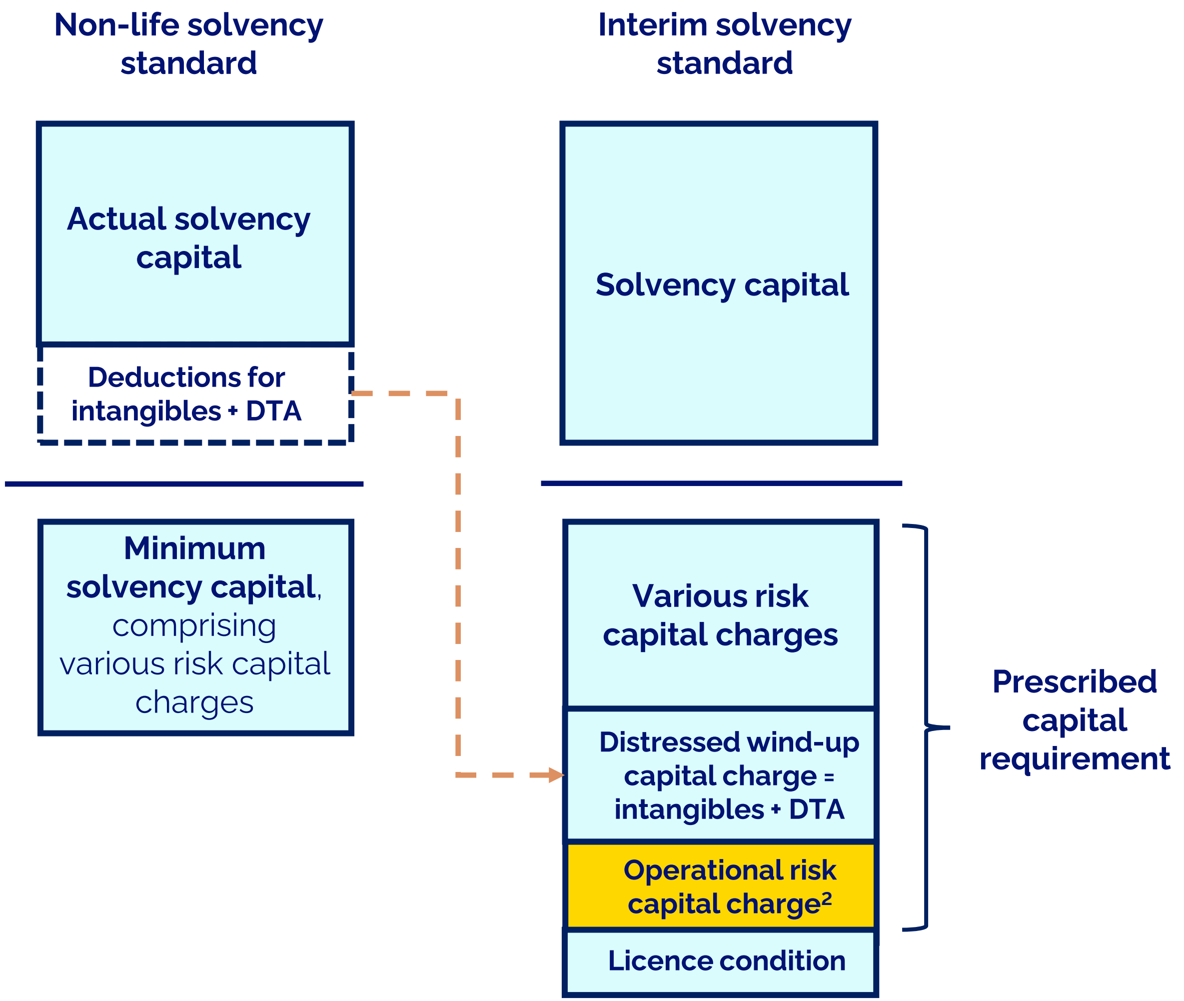
The ISS introduces new terminology for the solvency measures and some changes to their inputs

From the NLSS terminology	To the new ISS terminology	Calculation under ISS
Actual solvency capital (**ASC**)	Solvency capital (**SC**)	Increased due to changes to allowable adjustments and the removal of deductions which are now included as extra charges in the PCR
Risk capital charges	Risk capital charges	Minor changes to terminology of existing risk capital charges (e.g., underwriting risk capital charge is now covered by 'Insurance risk') Introduction of an operational risk charge from 1 January 2024 The insurance risk and credit risk capital charges are materially reduced due to changes in inputs to the "stressed balance sheet"
Minimum solvency capital (**MSC**)	Prescribed capital requirement (**PCR**)	Increased due to the inclusion of some items previously treated as a deduction from ASC now included in the PCR, partially offset by a decrease in insurance and credit risk capital charges
Solvency margin	Solvency margin (= **SC - PCR**)	Increased margin due to differences in inputs to the PCR and SC
n/a	Adjusted solvency margin (**ASM**)	Solvency margin less any licence condition
Solvency ratio (= **ASC ÷ MSC**)	Solvency ratio (= **SC ÷ PCR**)	Decrease to solvency ratio due to differences in inputs to PCR and MSC
n/a	Adjusted solvency ratio (= **SC ÷ PCR + Licence condition**)	Solvency ratio, including an adjustment for any licence condition

Changes in solvency calculations

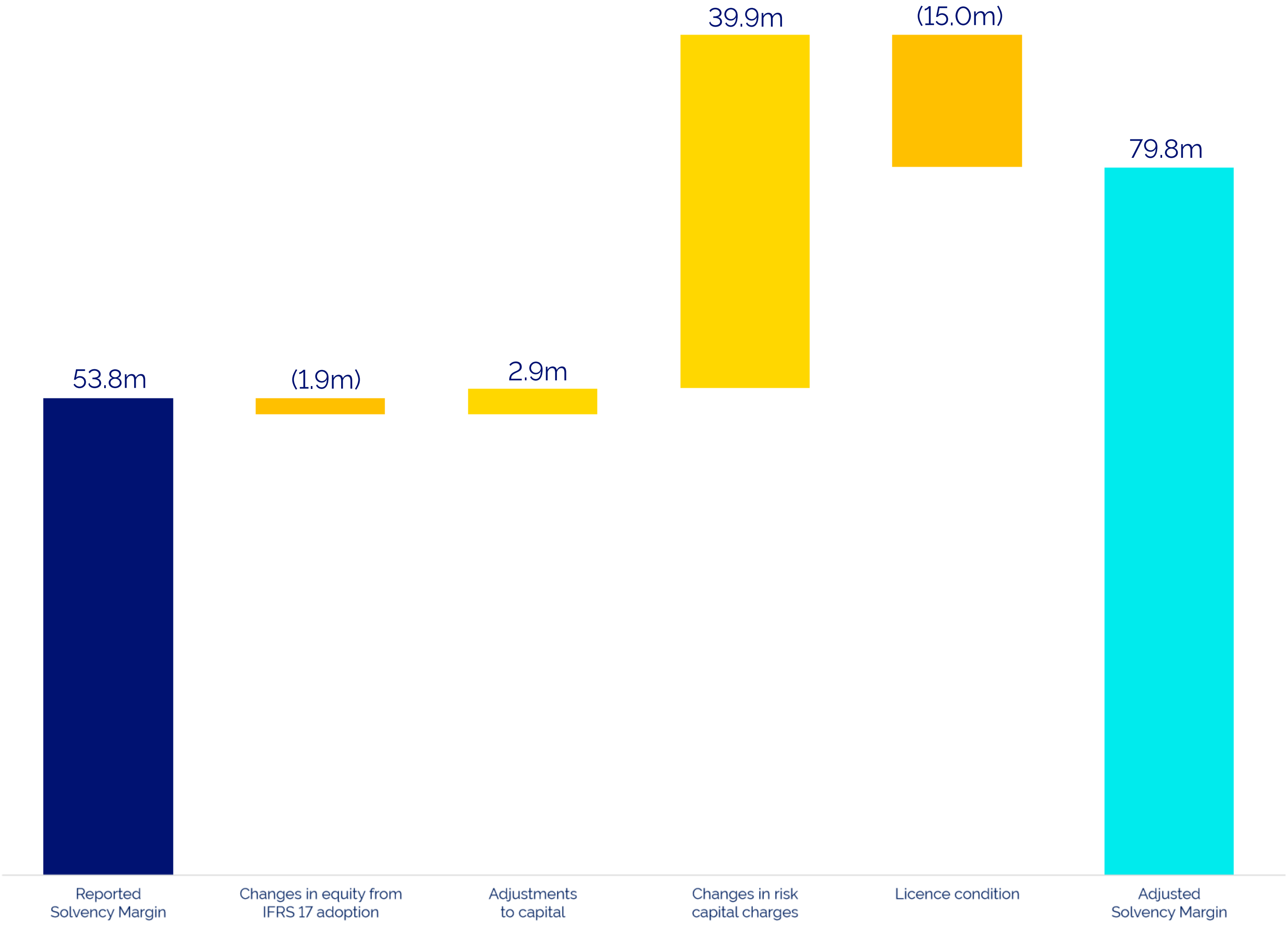
- Intangibles and deferred tax assets (**DTA**) are no longer considered as a deduction from solvency capital and instead are now included as part of PCR. As a result, solvency ratios have changed considerably from the old standard, even though this reclassification has a nil impact on solvency margins.
- An operational risk capital charge (**ORCC**) has been introduced as part of PCR from 1 January 2024, which will increase from 1% of insurance service revenue (**ISR**) in 2024 to 3% of ISR in 2026.
- There are also a number of other changes to the calculation of other risk capital charges.
- Solvency calculations will be performed quarterly and submitted to RBNZ as part of a Quarterly Insurer Return. Solvency disclosures will also be published quarterly on the Tower website.[1]

Adjusted solvency ratio calculation



Note 1: https://www.tower.co.nz/investor-centre/solvency-disclosures/
Note 2: From 1 January 2024

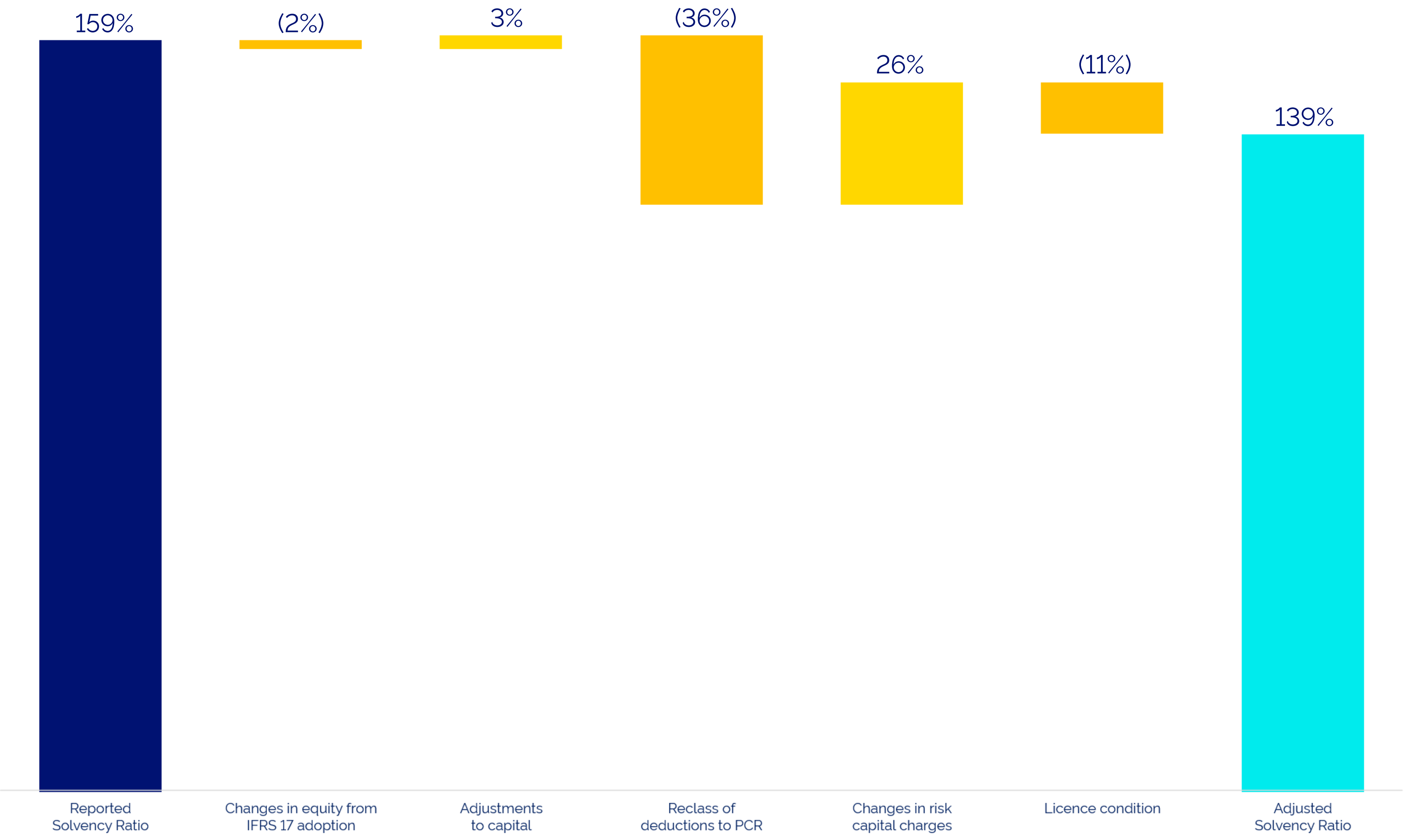
Changes to FY23 solvency margin



- The waterfall shows the changes in reported solvency margin under NLSS to the adjusted solvency margin under ISS as at 30 September 2023, for Tower's parent entity.
- The solvency figures are the mandatory regulatory solvency position required until any proposed amendments to the ISS are issued and effective.
- Tower's $15m licence condition has not changed, however it is now explicitly incorporated into the calculation of the adjusted solvency margin.
- The Appointed Actuary has reviewed the solvency figures

TOWER

Changes to FY23 solvency ratio



- The waterfall shows the changes in reported solvency ratio under NLSS to the adjusted solvency ratio under ISS as at 30 September 2023, for Tower's parent entity.
- The solvency figures are the mandatory regulatory solvency position required until any proposed amendments to the ISS are issued and effective.
- The Appointed Actuary has reviewed the solvency figures.

Solvency update at 31 December 2023

Tower calculates the solvency position on a quarterly basis under the ISS. The table below shows the solvency position for Tower's parent entity under the NLSS at 30 September 2023, under the ISS at 30 September 2023 and under the ISS at 31 December 2023.

$ millions	From NLSS 30 September 2023	To ISS 30 September 2023	ISS 31 December 2023
Solvency capital (actual solvency capital under NLSS)	145.4	283.7	294.4
Adjusted prescribed capital requirement (minimum solvency capital under NLSS)	91.6	204.0	193.9
Adjusted solvency margin (solvency margin under NLSS)	53.8	79.8	100.5
Adjusted solvency ratio (solvency ratio under NLSS)	159%	139%	152%

- The solvency figures are the mandatory regulatory solvency position required until any proposed amendments to the ISS are issued and effective.
- The Appointed Actuary has reviewed the solvency figures.

Appendices


TOWER
Overview
Billing
Contact us
Account details
Log out
Make a claim
Get a quote
Billing
Next instalment
$151.70
On 17 Nov 2021
Go to billing
37 Komai Street, Hamilton
Make a claim
Policy number: P0019742851
House Plus
Current
Effective from 02 Nov 2021
Renewal
Effective from 02 Nov 2022
Policy details
Period of insurance
Total premium
Sum insured
Excess
Finance providers
Special features
02 Nov 2021 to 02 Nov 2022
$1,241.02 per year
Show premium breakdown
$634,300.00
$400.00
View other policy excess
None
You do not have any special features specified on this policy
02 Nov 2022 to 02 Nov 2023
$1,365.02 per year
Show premium breakdown
$669,300.00
$400.00
View other policy excess
None
You do not have any special features specified on this policy
+ Add New
Risk profile
Modelling by RMS
We've identified the following risks for your property
Earthquake
Low
Flood
Medium
View details
People
Policy holder(s)
Who lives there
farheen fathima
Relative
farheen fathima
Relative

Reclassification between balance sheet line items

The tables to the right show how various line items that were reported under IFRS 4 have been reclassified to new line items under IFRS 17

IFRS 4

Reported consolidated balance sheet	***Reported***
$ thousands	***30-Sep-23***
Cash and cash equivalents	64,009
Investments	258,798
Receivables	413,826
Current tax assets	12,917
Assets classified as held for sale	13,697
Deferred tax assets	14,971
Deferred insurance costs	39,951
Right-of-use assets	23,204
Property, plant and equipment	6,280
Intangible assets	98,524
Total assets	**946,177**
Payables	77,032
Unearned premiums	272,834
Outstanding claims	240,597
Current tax liabilities	198
Liabilities classified as held for sale	9,765
Provisions	12,823
Lease liabilities	32,615
Deferred tax liabilities	48
Total liabilities	**645,912**
Net assets	**300,265**

IFRS 17

Restated consolidated balance sheet	***Restated***
$ thousands	***30-Sep-23***
Cash and cash equivalents	64,009
Investments	258,798
Receivables	16,797
Current tax assets	12,917
Assets classified as held for sale	11,505
Reinsurance contract assets	147,236
Deferred tax assets	16,074
Right-of-use assets	23,204
Property, plant and equipment	6,280
Intangible assets	98,524
Total assets	**655,344**
Payables	18,378
Liability for remaining coverage	44,614
Liability for incurred claims	241,195
Current tax liabilities	198
Liabilities classified as held for sale	7,609
Provisions	12,823
Lease liabilities	32,615
Deferred tax liabilities	178
Total liabilities	**357,610**
Net assets	**297,734**

Statutory balance sheet - from IFRS 4 to IFRS 17

Restated consolidated balance sheet	***Reported***	***IFRS 17***	***IFRS 17***	***Restated***	***Reported***	***IFRS 17***	***IFRS 17***	***Restated***
$ thousands	***30-Sep-23***	***Reclass***	***Adjustments***	***30-Sep-23***	***30-Sep-22***	***Reclass***	***Adjustments***	***1-Oct-22***
Cash and cash equivalents	64,009	-	-	64,009	84,502	-	-	84,502
Investments	258,798	-	-	258,798	258,634	-	-	258,634
Receivables	413,826	(397,029)	-	16,797	242,089	(228,681)	-	13,408
Current tax assets	12,917	-	-	12,917	13,069	-	-	13,069
Assets classified as held for sale	13,697	(3,248)	1,056	11,505	20,811	(4,138)	-	16,673
Reinsurance contract assets	-	141,246	5,990	147,236	-	25,733	1,185	26,918
Deferred tax assets	14,971	-	1,103	16,074	23,893	-	(7,401)	16,492
Deferred insurance costs	39,951	(39,951)	-	-	37,819	(37,819)	-	-
Right-of-use assets	23,204	-	-	23,204	23,326	-	-	23,326
Property, plant and equipment	6,280	-	-	6,280	5,417	-	-	5,417
Intangible assets	98,524	-	-	98,524	94,653	-	-	94,653
Total assets	**946,177**	**(298,982)**	**8,149**	**655,344**	**804,213**	**(244,905)**	**(6,216)**	**553,092**
Payables	77,032	(66,087)	7,433	18,378	58,911	(44,522)	6,472	20,861
Unearned premiums	272,834	(272,834)	-	-	238,116	(238,116)	-	-
Outstanding claims	240,597	(240,597)	-	-	124,531	(124,531)	-	-
Liability for remaining coverage	-	51,656	(7,042)	44,614	-	49,660	(6,317)	43,343
Liability for incurred claims	-	232,125	9,070	241,195	-	116,743	4,826	121,569
Current tax liabilities	198	-	-	198	136	-	-	136
Liabilities classified as held for sale	9,765	(3,245)	1,089	7,609	9,258	(4,139)	-	5,119
Provisions	12,823	-	-	12,823	11,873	-	-	11,873
Lease liabilities	32,615	-	-	32,615	35,054	-	-	35,054
Deferred tax liabilities	48	-	130	178	8,806	-	(8,467)	339
Total liabilities	**645,912**	**(298,982)**	**10,680**	**357,610**	**486,685**	**(244,905)**	**(3,486)**	**238,294**
Net assets	**300,265**	**-**	**(2,531)**	**297,734**	**317,528**	**-**	**(2,730)**	**314,798**

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Reclassification between profit & loss line items

The tables to the right show how various line items that were reported under IFRS 4 have been reclassified to new line items under IFRS 17

IFRS 4

Reported consolidated statement of comprehensive income	***Reported***
$ thousands	**30-Sep-23**
Gross written premium	511,484
Gross earned premium	470,813
Outward reinsurance premium expense	(82,398)
Net earned premium	388,415
Claims expense	(492,197)
Less: Reinsurance and other recoveries revenue	205,187
Net claims expense	(287,010)
Gross commission expense	(12,342)
Commission revenue	4,636
Net commission expense	(7,706)
Underwriting expense	(105,354)
Underwriting loss	(11,655)
Net investment income	14,329
Other income	5,727
Other operating expenses	(44)
Financing costs	(920)
Profit before tax from continuing operations	7,437

IFRS 17

Restated consolidated statement of comprehensive income	***Restated***
$ thousands	**30-Sep-23**
Insurance revenue	472,611
Insurance service expense	(604,851)
Net income from reinsurance contracts held	124,360
Insurance service result	(7,880)
Net investment income	14,329
Net insurance finance expense	(1,348)
Net insurance and investment result	5,101
Other income	5,727
Other operating expenses	(2,145)
Finance costs	(920)
Profit before taxation from continuing operations	7,763
Tax expense	(5,176)
Profit after taxation from continuing operations	2,587

Statutory profit & loss - from IFRS 4 to IFRS 17

Restated consolidated statement of comprehensive income	***Reported***	***IFRS 17***	***IFRS 17***	***Restated***	***Reported***	***IFRS 17***	***IFRS 17***	***Discontinued***	***Restated***
$ thousands	***30-Sep-23***	***Reclass***	***Adjustments***	***30-Sep-23***	***31-Mar-23***	***Reclass***	***Adjustments***	***Operations [1]***	***31-Mar-23***
IFRS 4 underwriting loss	(11,655)	11,655	-	**-**	(16,796)	15,283	-	1,513	**-**
Insurance revenue	-	472,611	-	**472,611**	-	225,993	-	-	**225,993**
Insurance service expense	-	(598,791)	(6,060)	**(604,851)**	-	(452,017)	(2,491)	8,840	**(445,668)**
Net income from reinsurance contracts held	-	117,974	6,386	**124,360**	-	212,614	2,571	-	**215,185**
Insurance service result	(11,655)	3,449	326	**(7,880)**	(16,796)	1,873	80	10,353	**(4,490)**
Net investment income	14,329	-	-	**14,329**	6,285	-	-	(8)	**6,277**
Net insurance finance expense	-	(1,348)	-	**(1,348)**	-	(663)	-	-	**(663)**
Net insurance and investment result	2,674	2,101	326	**5,101**	(10,511)	1,210	80	10,345	**1,124**
Other income	5,727	-	-	**5,727**	2,725	-	-	(1)	**2,724**
Other operating expenses	(44)	(2,101)	-	**(2,145)**	(49)	(1,210)	-	-	**(1,259)**
Finance costs	(920)	-	-	**(920)**	(465)	-	-	3	**(462)**
Profit before taxation from continuing operations	7,437	-	326	**7,763**	(8,300)	-	80	10,347	**2,127**
Tax expense	(5,085)	-	(91)	**(5,176)**	858	-	(15)	(2,887)	**(2,044)**
Profit after taxation from continuing operations	2,352	-	235	**2,587**	(7,442)	-	65	7,460	**83**
Loss after taxation from discontinued operations	(3,580)	-	(29)	**(3,609)**	2,340	-	(13)	(7,462)	**(5,135)**
Loss after taxation for the year	(1,228)	-	206	**(1,022)**	(5,102)	-	52	(2)	**(5,052)**
Items that may be reclassified to profit or loss									
Currency translation differences	(1,487)	-	(7)	**(1,494)**	(2,130)	-	-	-	**(2,130)**
Reclassification of the foreign currency translation reserve	544	-	-	**544**	544	-	-	-	**544**
Other comprehensive loss net of taxation	(943)	-	(7)	**(950)**	(1,586)	-	-	-	**(1,586)**
Total comprehensive loss for the year	(2,171)	-	199	**(1,972)**	(6,688)	-	52	(2)	**(6,638)**

Note 1: This restatement is due to the Solomons and Vanuatu operations classified as discontinued operations from 30 September 2023, and not due to the adoption of IFRS 17

Reconciliation of changes in underlying NPAT

Changes in our profit & loss from IFRS 4 to IFRS 17, for FY23 and HY23

$ million	FY23 Reported underlying profit	IFRS 17 reclass	IFRS 17 adjustments	FY23 Restated underlying profit	HY23 Reported underlying profit	IFRS 17 reclass	IFRS 17 adjustments	HY23 Restated underlying profit
Gross written premium	526.8			526.8	245.0			245.0
Insurance revenue	**485.8**	1.8		**487.6**	**233.0**	0.8		**233.8**
Reinsurance expense	(69.5)			(69.5)	(32.2)			(32.2)
Net insurance revenue	**416.3**	1.8		**418.1**	**200.9**	0.8		**201.7**
Net claims expense - BAU	(231.1)		0.9	(230.2)	(103.6)		0.6	(103.0)
Net claims expense - large events	(38.2)			(38.2)	(33.9)			(33.9)
Large event reinsurance reinstatement	(17.4)			(17.4)	(3.4)			(3.4)
Management and sales expenses	(125.7)		1.8	(123.9)	(65.6)		0.9	(64.7)
Net commission expense	(8.3)	(1.8)		(10.1)	(5.0)	(0.8)		(5.8)
Net insurance service expense	**(420.7)**	(1.8)	2.7	**(419.8)**	**(211.5)**	(0.8)	1.5	**(210.8)**
Insurance service result	**(4.3)**		2.7	**(1.7)**	**(10.6)**		1.5	**(9.1)**
Net investment income	14.3			14.3	6.3			6.3
Net insurance finance expense	-		(1.3)	(1.3)	-		(0.7)	(0.7)
Other income and expenses	2.3		(2.1)	0.2	0.3		(1.2)	(0.9)
Underlying profit before tax	12.3		(0.7)	11.5	(4.0)		(0.4)	(4.4)
Income tax expense	(4.6)		0.2	(4.4)	0.7		0.1	0.8
Underlying net profit/(loss) after tax (NPAT)	**7.6**		(0.5)	**7.1**	**(3.3)**		(0.4)	**(3.7)**
Canterbury impact (net of tax)	(1.2)		0.7	(0.5)	(1.0)		0.4	(0.6)
All other non-underlying costs (net of tax)	(7.6)			(7.6)	(0.8)			(0.8)
Reported loss after tax	**(1.2)**		0.2	**(1.0)**	**(5.1)**		-	**(5.1)**
BAU claims ratio	55.5%			55.1%	51.6%			51.1%
Large events claim ratio	13.4%			13.3%	18.6%			18.5%
Expense ratio	32.2%			32.0%	35.1%			35.0%
Combined Operating Ratio	**101.1%**			**100.4%**	**105.3%**			**104.5%**

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FY23 reconciliation between underlying profit after tax and reported loss after tax

$ million	FY23 restated underlying profit	Non-underlying items (1)	Management expense reclasses (2)	Discontinued operations (3)	Reclass of reinsurance expenses (4)	Reclass of reinsurance & other recovery revenues (5)	FY23 reported loss
Gross written premium	526.8						
Insurance revenue	**487.6**	(5.0)		(10.0)			**472.6**
Reinsurance expense	(69.5)				69.5		
Net insurance revenue	**418.1**	(5.0)		(10.0)	69.5		
Net claims expense - BAU	(230.2)	(0.7)	(25.5)			(12.7)	
Net claims expense - large events	(38.2)					(204.0)	
Large event reinsurance reinstatement	(17.4)				17.4		
Management and sales expenses	(123.9)	(6.5)	24.3			(12.9)	
Net commission expense	(10.1)					10.1	
Net insurance service expense	**(419.8)**	(7.2)	(1.2)	25.4	17.4	(219.5)	**(604.9)**
Net income from reinsurance contracts held	-			(8.2)	(86.9)	219.5	124.4
Insurance service result	**(1.7)**	(12.2)	(1.2)	7.1			**(7.9)**
Net investment income	14.3						14.3
Net insurance finance expense	(1.3)						(1.3)
Other income and expenses	0.2	1.3	1.2				2.7
Underlying profit before tax	11.5	(10.9)		7.1			
Income tax expense	(4.4)	1.2		(1.9)			(5.2)
Profit after tax from discontinued operations	-	1.6		(5.2)			(3.6)
Underlying net profit after tax (NPAT)	**7.1**	(8.1)					
Canterbury impact (net of tax)	(0.5)	0.5					
All other non-underlying costs (net of tax)	(7.6)	7.6					
Reported loss after tax	**(1.0)**						**(1.0)**

(1) Non-underlying items include the net impact of Canterbury earthquake valuation changes, customer remediation provisions, regulatory and compliance projects (such as the adoption of IFRS 17), gain on sale of operations and building, and a prior period tax adjustment

(2) Reclassification of claims handling expenses from management expenses to claims expense; and FX gains/losses from other income to management expenses

(3) Operations sold during FY23 and held for sale at 30 September 2023 are treated as discontinued operations for statutory purposes

(4) Reclassification of reinsurance expenses to present as net income from reinsurance contracts held for statutory purposes

(5) Reclassification of reinsurance and other recoveries to present as net income from reinsurance contracts held for statutory purposes

Underlying and reported (loss)/profit:

- "Net insurance revenue", net insurance service expense" and "underlying profit" do not have a standardised meaning under Generally Accepted Accounting Practice (GAAP). Consequently, they may not be comparable to similar measures presented by other reporting entities and are not subject to audit or independent review
- Tower uses underlying profit as an internal reporting measure as management believes it provides a better measure of Tower's underlying performance than reported (loss)/profit, as it excludes large or non-recurring items that may obscure trends in Tower's underlying performance, and is useful to investors as it makes it easier to compare Tower's financial performance between periods
- Tower has applied a consistent approach to measuring which items are excluded from underlying profit in the current and comparative periods
- "Reported (loss)/profit after tax" is calculated and presented in accordance with GAAP

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HY23 reconciliation between underlying loss after tax and reported loss after tax

$ million	HY23 restated underlying profit	Non-underlying items (1)	Management expense reclasses (2)	Discontinued operations (3)	Reclass of reinsurance expenses (4)	Reclass of reinsurance & other recovery revenues (5)	HY23 reported loss
Gross written premium	245.0						
Insurance revenue	**233.8**	(2.5)		(5.4)			**226.0**
Reinsurance expense	(32.2)				32.2		
Net insurance revenue	**201.7**	(2.5)		(5.3)	32.2		
Net claims expense - BAU	(103.0)	(0.9)	(13.4)			(43.9)	
Net claims expense - large events	(33.9)					(231.0)	
Large event reinsurance reinstatement	(3.4)				3.4		
Management and sales expenses	(64.7)	(1.2)	12.5			(6.5)	
Net commission expense	(5.8)					5.0	
Net insurance service expense	**(210.8)**	(2.1)	(0.9)	41.1	3.4	(276.4)	**(445.7)**
Net income from reinsurance contracts held	-			(25.6)	(35.6)	276.4	215.2
Insurance service result	**(9.1)**	(4.6)	(0.9)	10.2			**(4.5)**
Net investment income	6.3						6.3
Net insurance finance expense	(0.7)						(0.7)
Other income and expenses	(0.9)	1.0	0.9				1.0
Underlying loss before tax	(4.4)	(3.6)		10.2			
Income tax expense	0.8	(0.1)		(2.8)			(2.0)
Profit after tax from discontinued operations	-	2.2		(7.4)			(5.1)
Underlying net loss after tax (NPAT)	**(3.7)**	(1.4)					
Canterbury impact (net of tax)	(0.6)	0.6					
All other non-underlying costs (net of tax)	(0.8)	0.8					
Reported loss after tax	**(5.1)**						**(5.1)**

(1) Non-underlying items include the net impact of Canterbury earthquake valuation changes, customer remediation provisions, regulatory and compliance projects (such as the adoption of IFRS 17), gain on sale of operations and building, and a prior period tax adjustment

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