

A young girl with brown hair, wearing a blue long-sleeved shirt, a white scarf, and a headband with goggles, is running across a green lawn. She is wearing a large, brown cardboard airplane costume with a propeller and wings. In the background, there is a house with grey siding and a white railing. On the left side of the image, there are decorative graphic elements: a dark blue curved shape at the top and a yellow circle with a light blue curved shape below it.

Leading light

Full year results to 30 September 2015

24 November 2015

Michael Stiasny

Chairman

“Deliver attractive shareholder returns by being the leading light in New Zealand and Pacific General Insurance.”



Delivering **shareholder returns**



First year as a pure **General Insurer**, solid underlying profit growth in NZ and the Pacific

Enhanced understanding and risk management on Canterbury, **increased provisions**

Full year loss of \$6.6m due to **Canterbury provisions**

Full year **underlying profit up** 29.6% to \$28.2 million

Full year **dividend of 16.0 cps, up 10.3%**; on market share buyback progressing

TOWER has further **surplus capital to support shareholder returns and growth**

Richard Harding

Chief Executive Officer



What we are covering today

- + Performance highlights

- + Canterbury

- + Operational update

- + Financial performance and risk management

- + Strategy and outlook



Performance highlights

Strong underlying performance in first year as a pure General Insurer

Underlying profit up supported by premium growth and benign weather environment	Progress on Canterbury claims , improved process and confidence in estimates; impact of provision increase partially mitigated by reinsurance
Combined sales and service teams delivering promising results and lift in customer satisfaction	Trade Me alliance now live, providing access to new markets and a new way of operating
Pacific continues to deliver policy, premium and earnings growth, particularly in motor segment	Capital management remains a priority through buyback and increased dividends while maintaining strong solvency

Group performance

Reported net loss after tax of \$6.6m; underlying profit of \$28.2m

\$ million	FY15	FY14	Movement %
Gross written premium	305.6	297.6	2.7%
Reported (loss)/profit after tax	(6.6)	23.6	-
Canterbury earthquakes	(36.2)	(0.1)	-
Profit on discontinued businesses	1.4	2.0	-
Underlying profit after tax from continuing operations¹	28.2	21.7	29.6%
New Zealand ²	18.9	16.9	11.6%
Pacific	9.6	8.2	17.4%
Underlying EPS(c) ³	16.0	11.3	41.6%
DPS(c)	16.0	14.5	10.3%
Key ratios⁴			
Claims ratio	47.7%	50.8%	-
Expense ratio	41.9%	40.8%	-
Combined ratio	89.6%	91.6%	-

1. Underlying NPAT excludes Canterbury impacts and discontinued businesses.

2. New Zealand figures include General Insurance only.

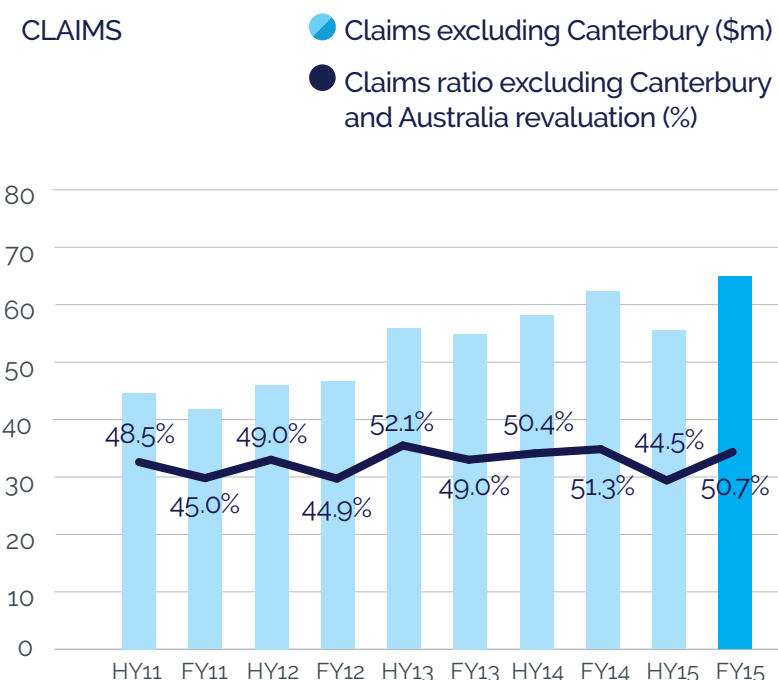
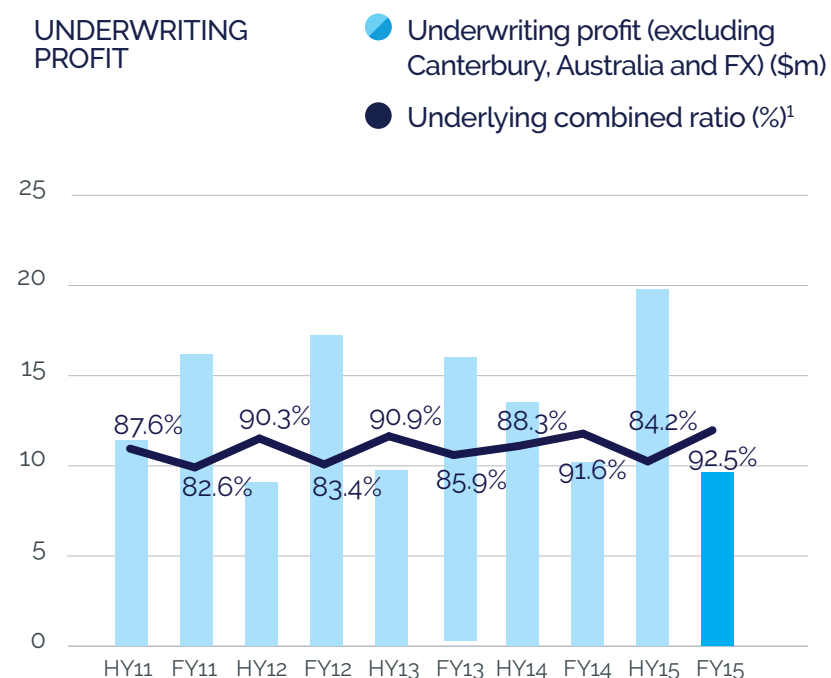
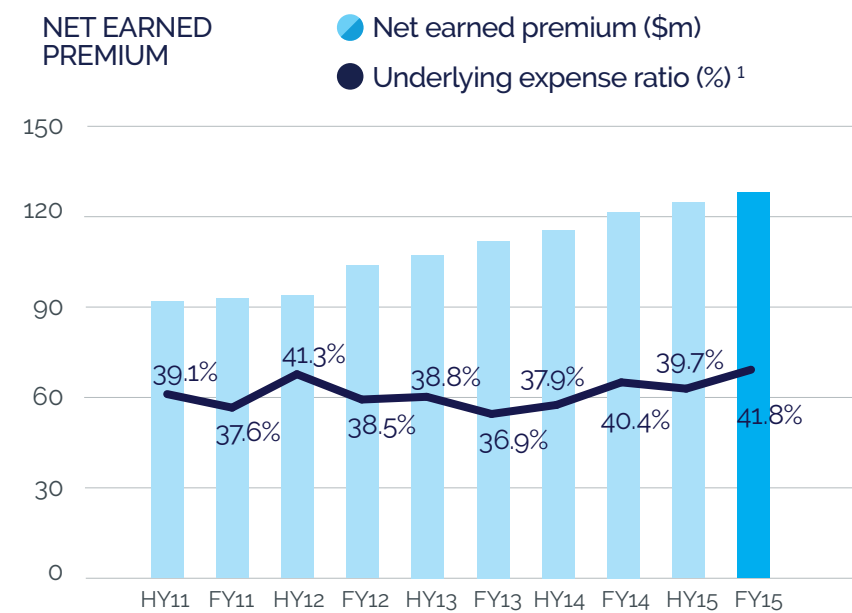
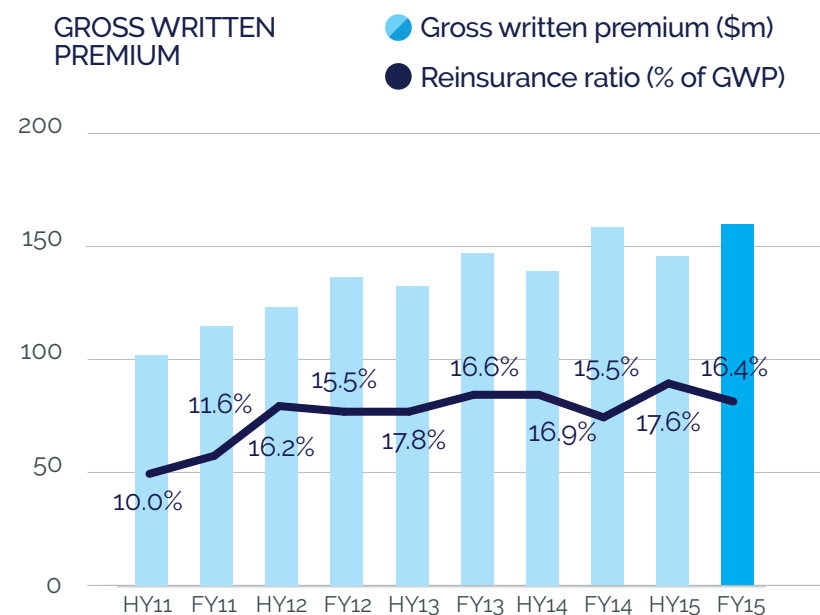
3. Profit attributable to shareholders from ongoing operations only and excludes Canterbury impacts, using weighted average number of shares outstanding.

4. Based on underlying business, excludes Canterbury impacts.

- + GWP growth of 2.7%, led by Pacific
- + Reported loss of \$6.6m
 - Canterbury provision increase results in \$36.2m impact on profit
 - Tax benefit attributable to divested businesses of \$1.9m
- + Strong underlying profit growth in both New Zealand and Pacific
- + Improvement in claims and combined ratio reflects benign weather environment
- + Investment in new markets and branding evident in expense ratio
- + Underlying EPS of 16.0c, up 41.6%
- + Full year dividend of 16.0c per share, up 10.3%
- + Strong H1 due to lack of weather events

Performance indicators

Reliable insurance business with significant unrealised potential



- + GWP growth slowing due to policy run-off and lower rate increases
- + Higher reinsurance ratio reflects greater level of cover taken out
- + Expense ratio reflects investment in new markets and branding
- + Claims ratio improvement from reduced large events
- + Potential to improve policy growth and operating efficiency

Richard Harding

Chief Executive Officer



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Continued progress

Ongoing progress in Canterbury improves confidence

CLAIMS SETTLED
AND CLOSED

95.6%

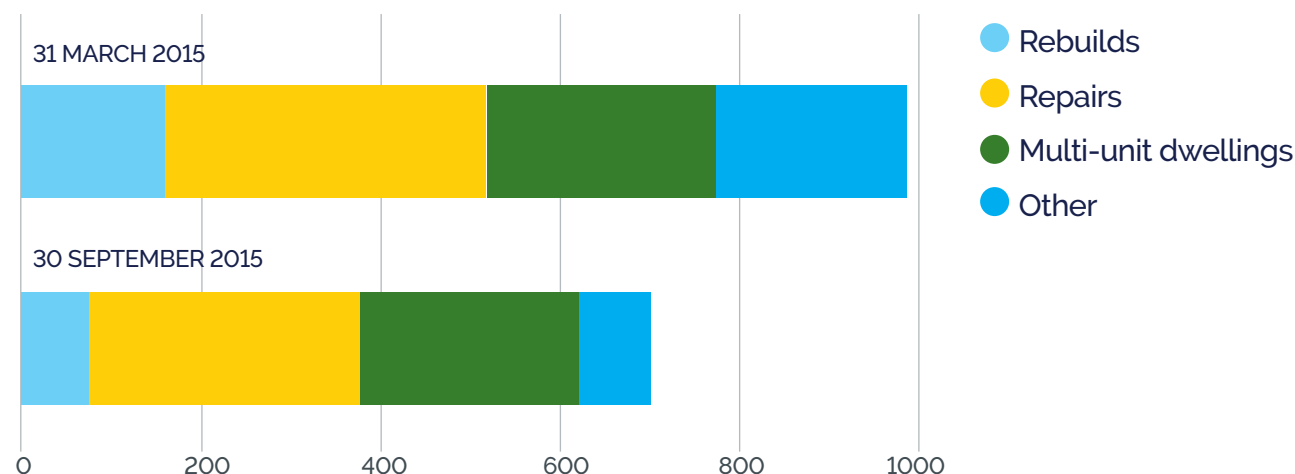
As at 30 September 2015

OUTSTANDING
PROPERTIES

703

As at 30 September 2015

NUMBER OF OPEN CLAIMS BY CATEGORY

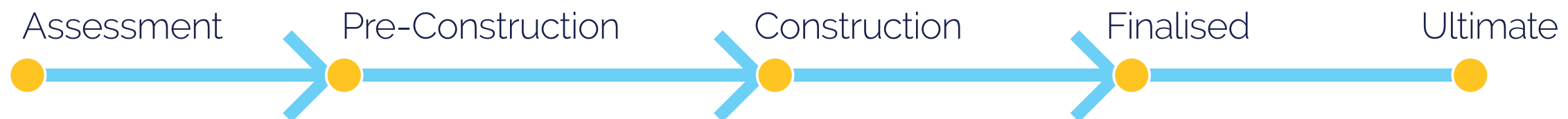


- + Canterbury has greater complexity than other comparable events
- + Good progress: more than 15,000 property claims or 95.6% of total claims, 88% by value now closed
- + 286 settled last 6 months; 703 property claims outstanding
 - 675 claims in progress
- + Actuarial adviser, Deloitte, brought in additional expertise to conduct file-by-file review
- + Increased provisions allow for higher repair and rebuild complexity and margin for risk
- + Gross increase in Feb 11 event provision \$53.2 million in H2 reduced by reinsurance and tax
 - \$13.6 million impact on net profit after tax in H2, full year impact on net profit after tax \$36.2m
- + Improved information set provides greater clarity on ultimate cost and improved case management abilities

Improved **data and confidence**

File-by-file review provides greater confidence on ultimate costs and improved ability to manage claims

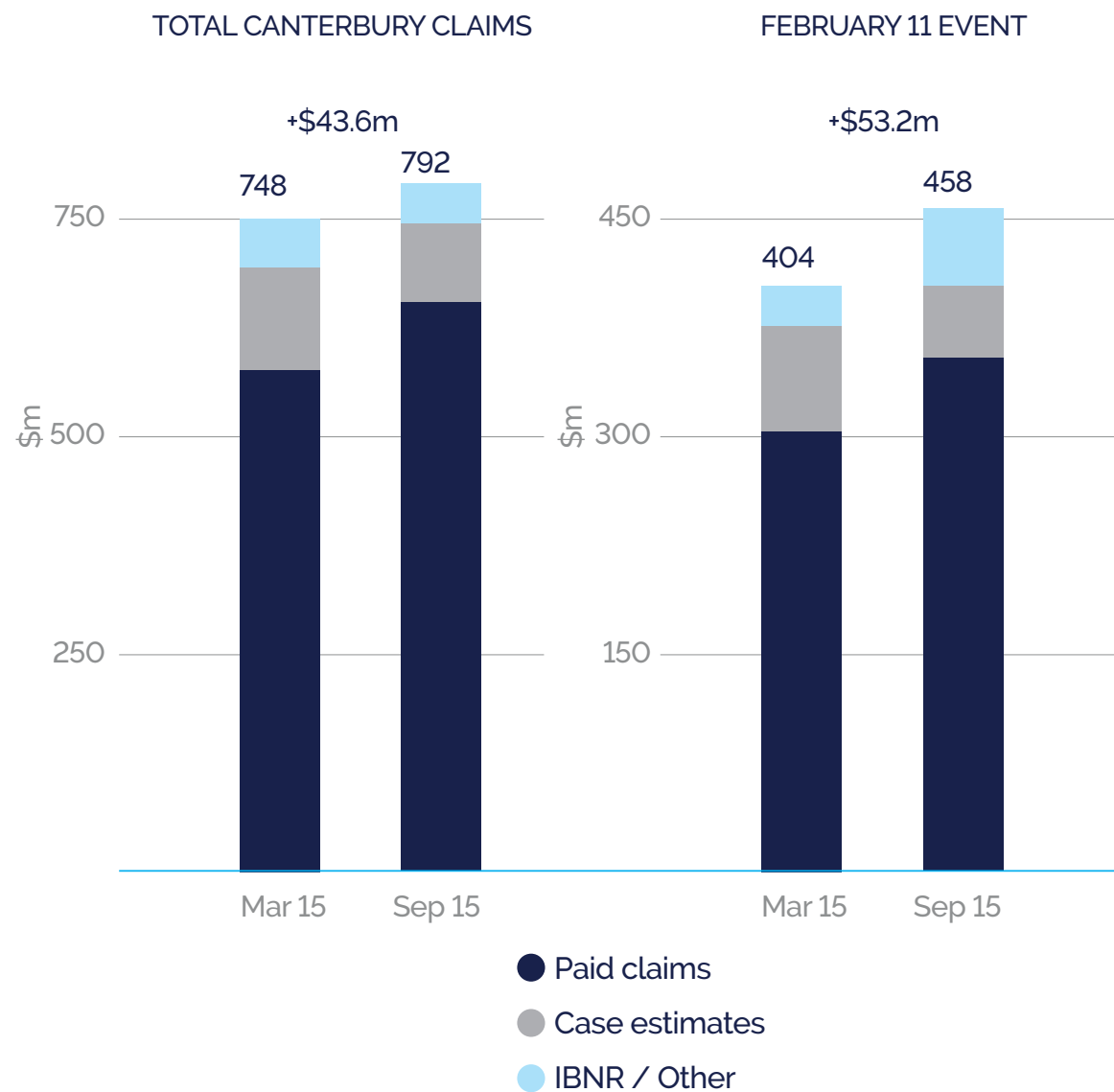
CLAIM LIFE CYCLE



- + Greater certainty regarding the ultimate claims cost given:
 1. Granular case-by-case claim analysis
 2. Enhanced view of claim cost (and risk) profile over time
 3. Information in a form that will improve our ability to manage claims and improve risk management
- + Paid claims experience in the last 12 months has assisted Deloitte estimates
- + Now have cost development curves for different types of claims (repairs, rebuilds and multi-unit)
- + Allows a more strategic approach to managing the remaining claims eg.
 - Target high risk claims
 - Better understanding of settlement opportunities

Provision increases

Provision increases partially mitigated by ADC



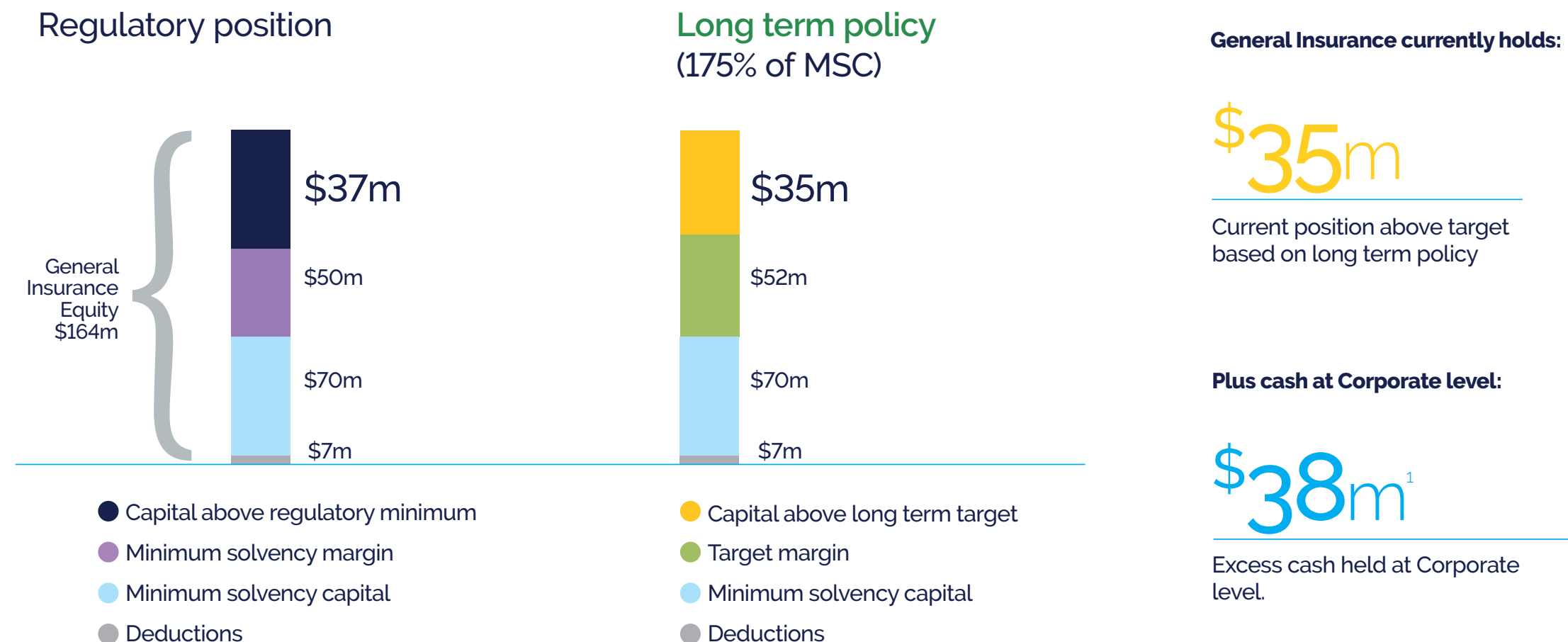
- + Risk management has continued to evolve for Canterbury:
 - EY review of apportionment
 - Increase in reinsurance cover
 - Expertise from Deloitte
 - Detailed file-by-file review by Deloitte
- + Estimates for all Canterbury claims raised by \$43.6m
 - Paid claims and case estimates have risen as claims advance to completion
 - IBNR has been increased reflecting greater level of understanding through Deloitte work
- + February 2011 event estimates raised by \$53.2m
 - Growth reflects larger scale of event, higher level of outstanding claims
- + Assumptions for recoveries from EQC remain an ongoing risk for TOWER and the industry
- + ADC has now been fully utilised and expensed in FY15

Capital and solvency

Capital of \$73m above target levels

- + TOWER has a long term policy of retaining within its licensed General Insurance entity 175% of the minimum solvency capital (MSC) required under the Insurance (Prudential Supervision) Act 2010.

General Insurance solvency:



1. Excess cash is defined as cash balance less payables.



Richard Harding

Chief Executive Officer



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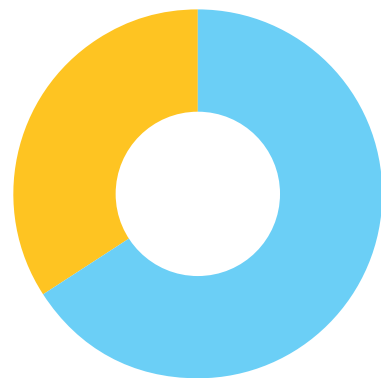
A New Zealand and Pacific **insurer**

Solid platform with the ability to grow in both New Zealand and the Pacific

FY15:

\$28.2m

Underlying NPAT¹

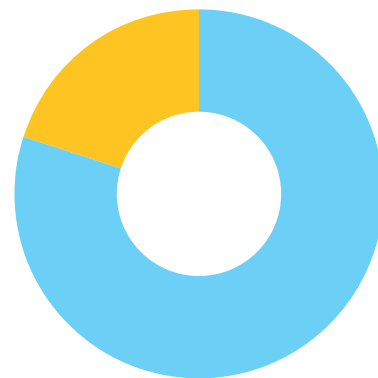


● New Zealand 66%²
● Pacific Islands 34%²

FY15:

\$305.6m

GWP

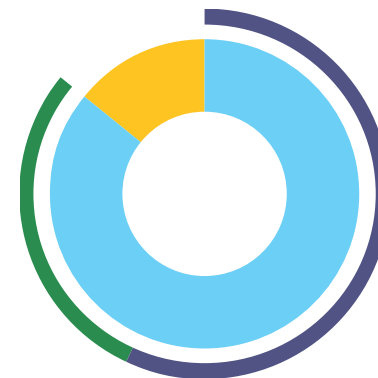


● New Zealand 80%
● Pacific Islands 20%

As at 30 September 2015:

481,133

Inforce policies



● New Zealand - Direct 66%
● New Zealand - Alliances 34%

FY15:

Personal lines focus

GWP breakdown



● House 37%
● Contents 17%
● Motor 30%
● Other 16%

Strategic **roadmap**

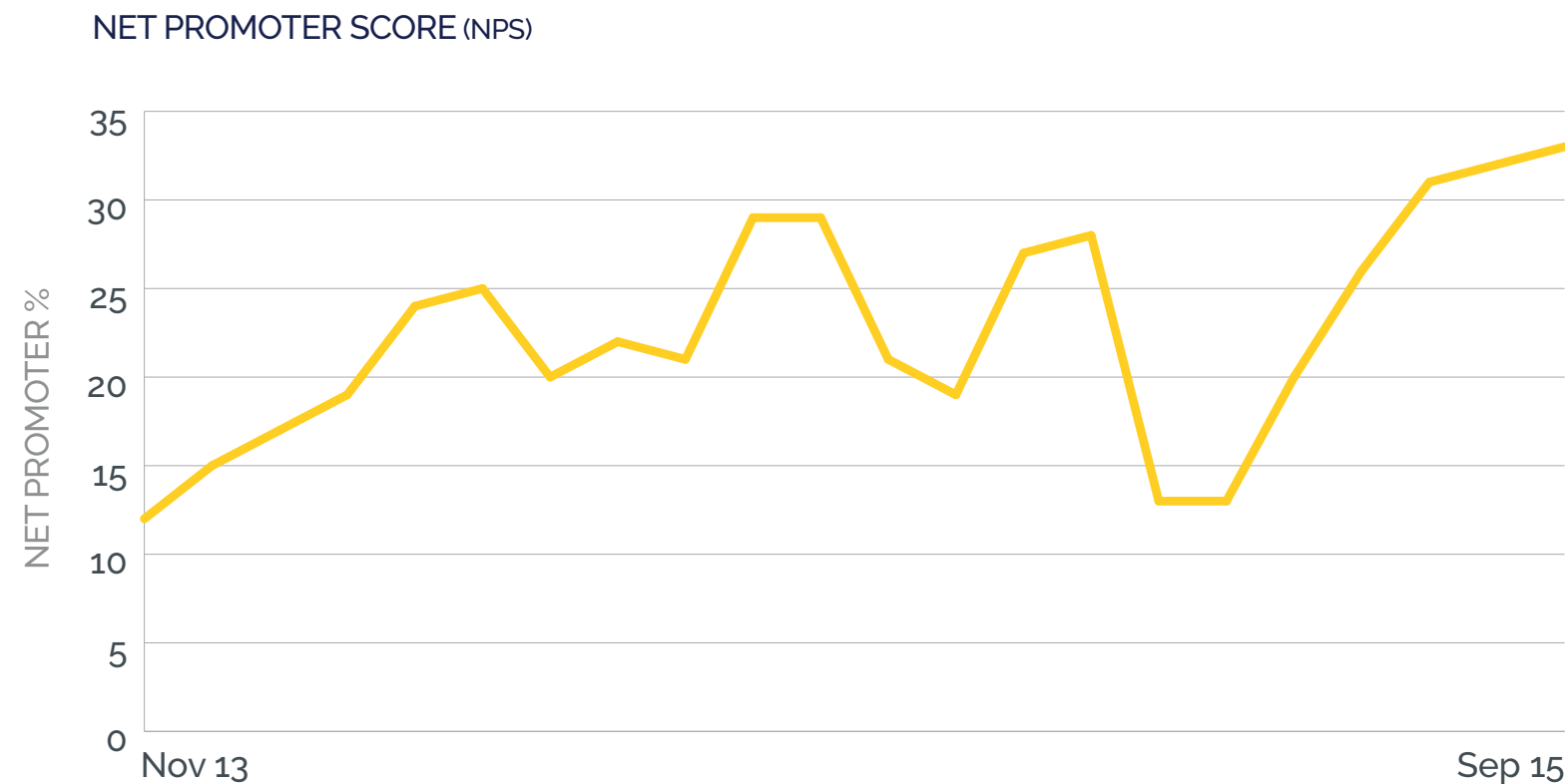
Increased focus on values and a performance culture



- + Vision to be the leading light in New Zealand and Pacific General Insurance
- + Strategic pillars of customer, people and financial performance help us achieve this vision
- + Values guide us in how we conduct ourselves in the business to strengthen our pillars
- + Shifting emphasis from “enablers” to “values” to reinforce high performance culture across the organisation
- + All of these actions help us deliver shareholder returns

Transforming our customer interactions

A new way of interacting being recognised by customers



- + Multi-year journey to improve our customer interactions
 - Investment in training and staff
 - Merger of sales and service teams
 - Reduced spans of control
- + Improvement in staff engagement
- + Direct customers now on Insurance Faces platform (c. 66% of policy base)
 - Alliance partner migration is underway
 - Decommissioning of legacy system will reduce costs and remove complexity
- + Service staff remain constrained by systems and business complexity
- + Further opportunity in simplification and customer retention

Refresh of the TOWER brand

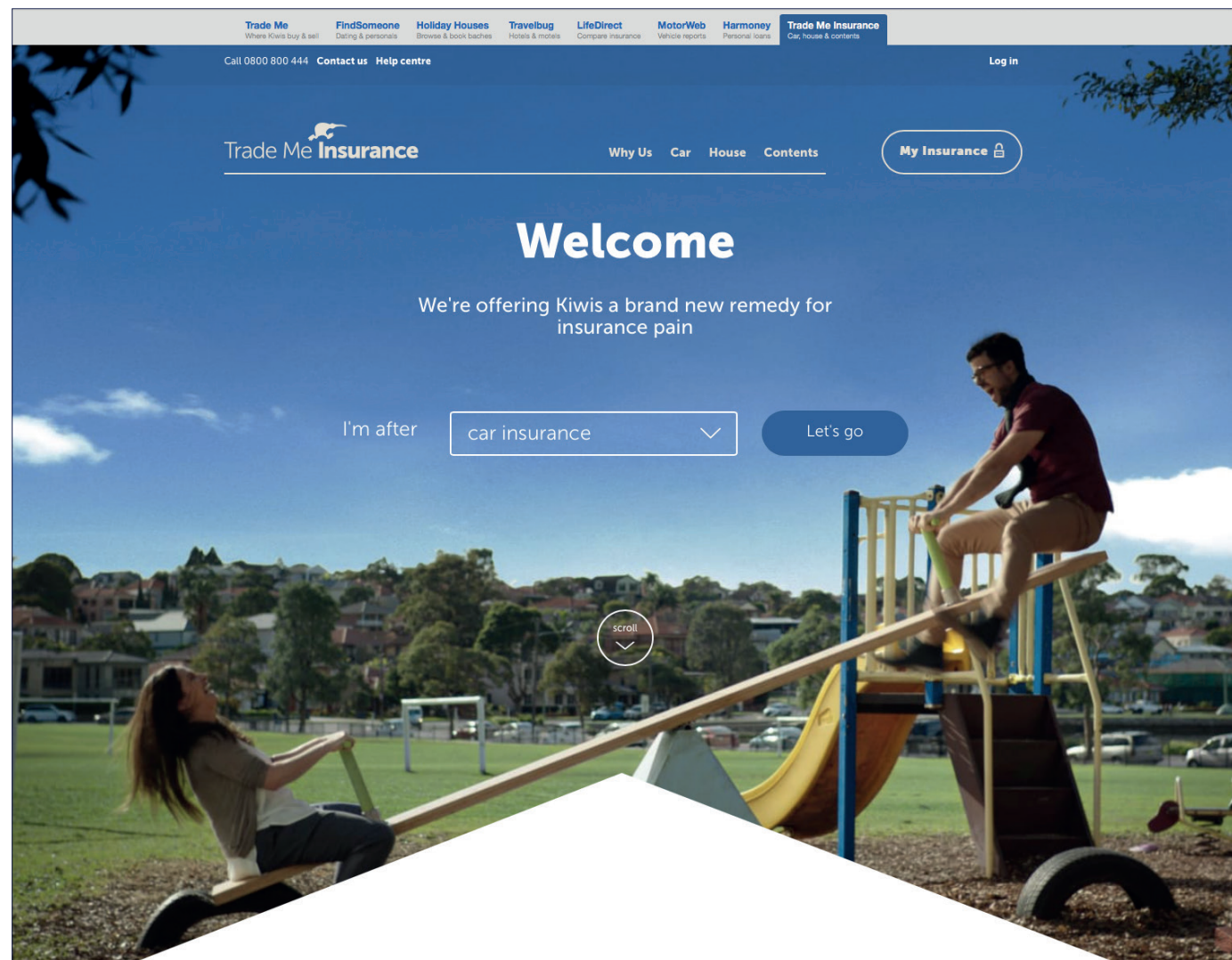
Refreshed brand to connect with customers and realise full potential



- + Brand recognition associated with market leaders, however brand preference does not align to recognition
- + Opportunity to improve preference by creating stronger connection with customers
- + Next phase of brand development was launched in July to help realise this brand potential
- + Targeting improved confidence in our insurance products and increased conversion through:
 - Communication of our story
 - Product quality and innovation
 - An attractive value proposition
- + Improvements in brand awareness preference and inbound inquiries

New markets and channels

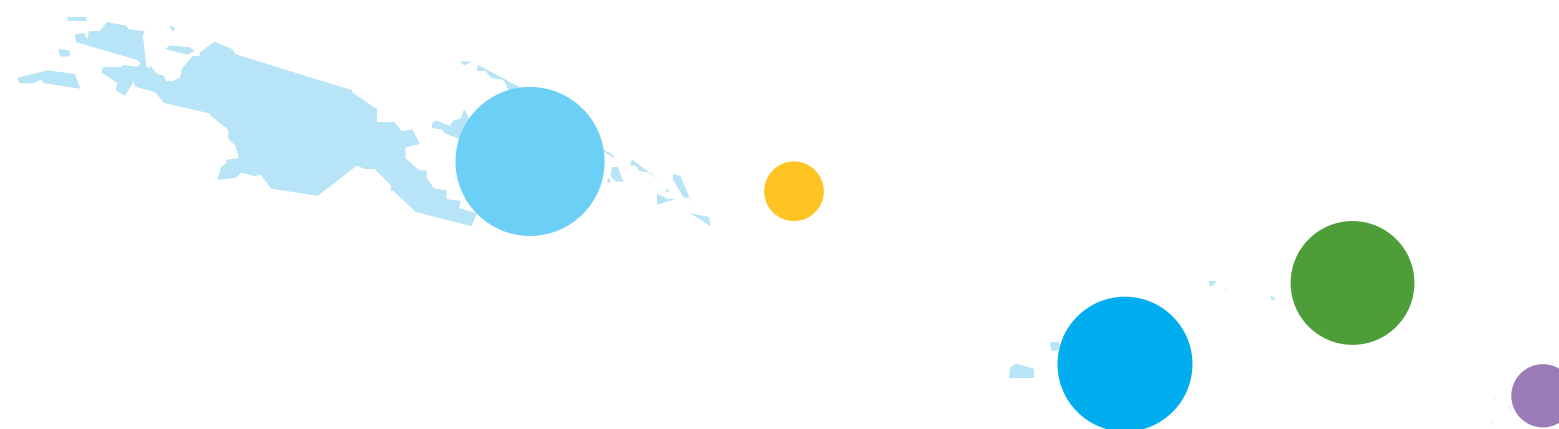
Trade Me Insurance provides access to new markets and a new way of operating



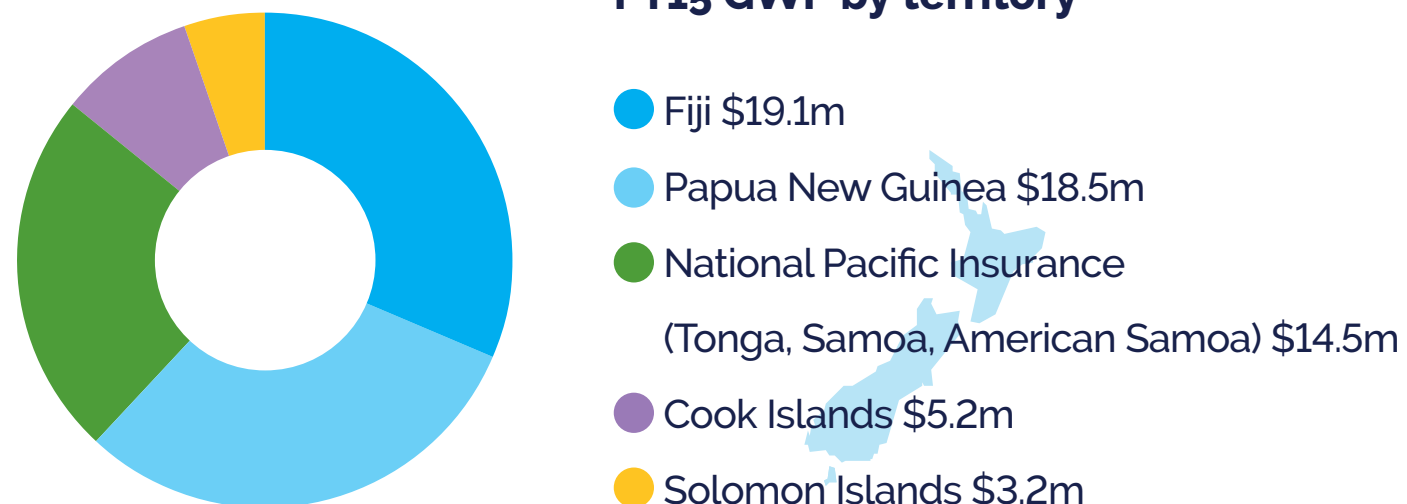
- + Trade Me Insurance launched in mid August to deliver: innovation; digital presence; new markets
- + Fully online end-to-end service model
- + Price positioned to compete with industry disrupters
- + Trade Me platform provides access to 1.4 million customers
- + 80% of policies sold to date are motor where TOWER is under represented
- + Significant learning from the build-out that will assist development of TOWER direct and pursuit of other alliances

Leadership in Pacific markets

Strong performance in the Pacific



FY15 GWP by territory



- + Underlying NPAT up 17.4%, GWP up 12.2%: assisted by policy growth and currency
- + Policies grew 4.6%, slower in H2 due to withdrawal from a SME product in PNG
- + New partnerships support growth in Fiji, Cook Islands and PNG
- + Benign claims environments in Cook Islands, National Pacific Insurance and Solomon Islands
- + Staff engagement and customer service measures strong
- + Vanuatu launched; early days but an attractive growth market

Brett Wilson

Chief Financial Officer

+ What we are covering today

- + Performance highlights
- + Canterbury
- + Operational update
- + Financial performance and risk management
- + Strategy and outlook



TOWER Group Profit **summary**

Underlying profit of \$28.2m; reported net loss after tax of \$6.6m

\$ million	2015	2014	Movement \$	Movement %
General Insurance underlying profit	28.5	25.1	3.4	13.5%
Corporate financing costs and investment income	1.4	(1.1)	2.5	-
Corporate expenses	(1.8)	(2.3)	0.5	(22.6%)
Underlying profit after tax from continuing operations	28.2	21.7	6.4	29.6%
(Loss)/Profit on disposal of subsidiaries	1.4	2.0	(0.6)	-
Impact of Canterbury earthquakes	(36.2)	(0.1)	(36.1)	-
Reported net (loss)/profit after tax	(6.6)	23.6	(30.2)	-

- + General Insurance continued underlying profit growth
- + Impact of Canterbury earthquakes at \$36.2m after tax
- + Profit from discontinued businesses due to tax benefits arising from Life business
- + Underlying profit of \$10.7m in H2 compared to \$17.5m in H1 due to higher claims and expenses
 - Expenses rose due to timing of investment in Trade Me Insurance and rebranding
 - Claims cost rose in H2 due to weather and seasonal patterns

Underlying performance

Underlying profit growth of 29.6% supported by benign weather

Consolidated profit and loss

\$ million	2015	2014	Movement \$	Movement %
Gross written premium	305.6	297.6	8.0	2.7%
Gross earned premium	304.7	285.1	19.6	6.9%
Reinsurance costs	(51.9)	(48.0)	(3.9)	8.1%
Net earned premium	252.8	237.1	10.9	6.6%
Net incurred claims	(115.6)	(106.2)	(9.4)	8.9%
Large events claims ¹	(4.9)	(14.4)	9.4	(65.6%)
Management and sales expenses	(101.9)	(94.0)	(7.9)	8.4%
Depreciation and amortisation	(4.0)	(2.7)	(1.4)	51.9%
Underwriting profit	26.3	19.9	6.4	32.1%
Investment revenue	14.0	14.2	(0.2)	(1.2%)
Financing costs	-	(4.1)	4.1	-
Underlying Profit before tax	40.3	30.0	10.3	34.4%
Income tax expense	(12.2)	(8.3)	(3.9)	46.9%
Underlying profit after tax	28.2	21.7	6.4	29.6%

1. Large claim events are those greater than \$1m. 2014 large claim events were due to storms in New Zealand.

- + Reinsurance costs are up due to higher levels of cover
- + Higher net incurred claims from higher house claims (increased number of fires and higher water damage)
- + Large event claims limited by benign weather environment and impact of aggregate cover
- + Investment in the business leading to higher expenses and depreciation
 - Sales and service investment to deliver operational improvements
 - IT investment and associated costs of migrating to new platform
 - Ongoing investment in additional capability

Strong balance sheet

Balance sheet supports growth opportunities and capital returns

Consolidated balance sheet

\$ million	2015	2014	Movement \$	Movement %
Cash & call deposits	125.1	168.1	(42.9)	(25.6%)
Investment assets	213.6	212.4	1.2	0.6%
Deferred acquisition costs	20.3	20.0	0.2	1.2%
Intangible assets	48.4	35.5	12.9	36.3%
Other operational assets/(liabilities) ¹	351.6	372.3	(20.7)	(5.6%)
Total assets	758.9	808.3	(49.4)	(6.1%)
Policy liabilities & insurance provisions	(419.7)	(422.3)	(2.6)	(0.6)%
Other operational (liabilities)/assets ¹	(58.3)	(60.0)	1.7	(2.8%)
Total liabilities	(478.0)	(482.3)	(4.3)	0.9%
Total equity	280.9	326.0	(45.1)	(13.8%)

- + Payment of Canterbury claims impacts both reinsurance receivables and cash balances
- + Extended reinsurance cover protects balance sheet
- + Provides options to manage risk, invest for growth and maximise returns to shareholders
- + Cash applied to share buyback, investment in systems, and payment of over-cap Canterbury claims

1. A number of assets or liabilities of disposed groups classified as held for sale in the financial statements in 2014.

Capital management

Capital management to remain a key priority moving forward

Achievements

- + TOWER remains highly solvent with \$73 million capital above target levels at the business and corporate level
- + FY15 dividend of 16.0 cps, up 10.3%
- + Full year payout ratio of 100%, in line with target range
- + \$12 million in capital returned in H2 through on market share buyback

Moving forward

- + Capital management remains a priority and shareholder returns a key focus
- + Utilise reinsurance to manage risk and protect capital for the benefit of shareholders
- + Up to \$22 million remaining to be returned to shareholders in current share buyback program
- + Dividend pay-out ratio to be maintained at 90-100% of underlying NPAT

Richard Harding

Chief Executive Officer

+

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- + Financial performance and risk management
- + **Strategy and outlook**

Strategic **scorecard**

Continued progress executing on the strategic priorities

Staff engagement and **efficiency**

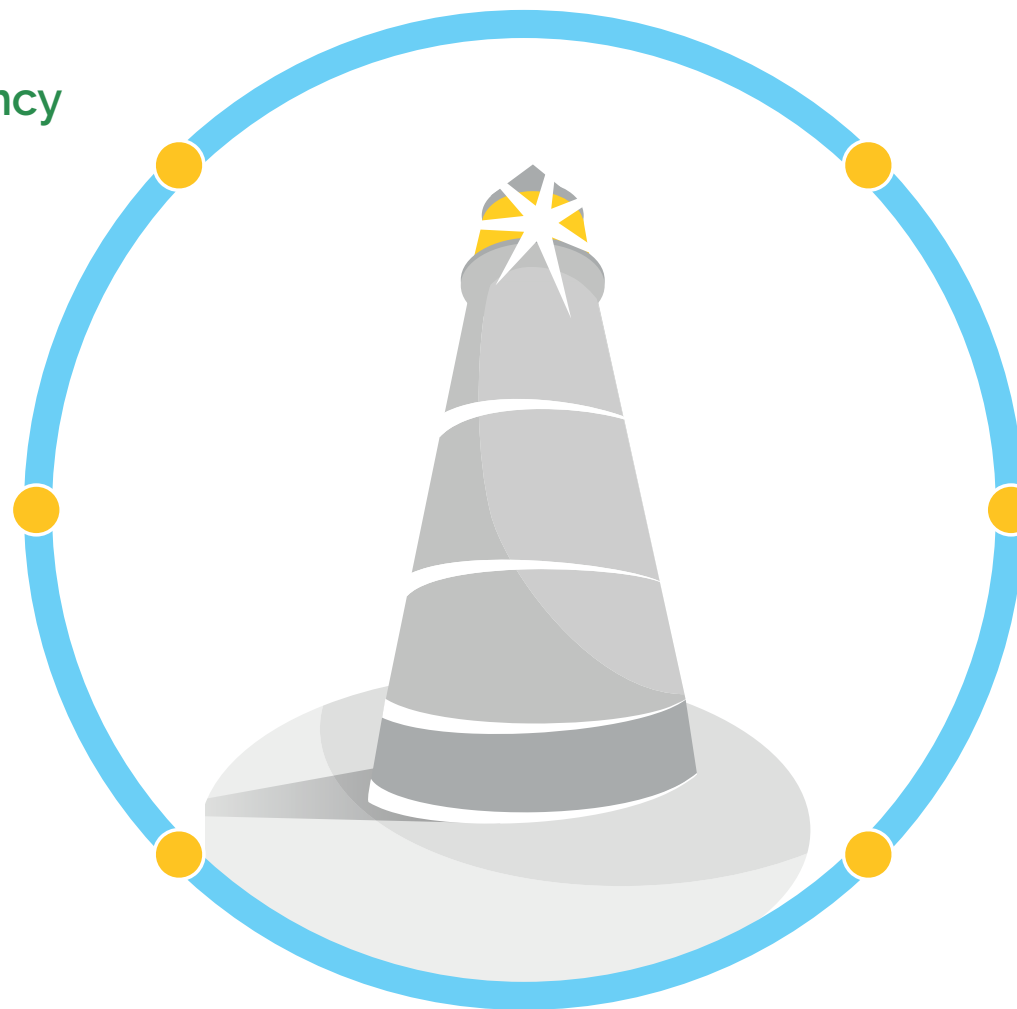
Ongoing investment in systems and training
Transformation of customer interactions

Leadership in **Pacific markets**

Pacific NPAT up 17.4%
Vanuatu launch
New alliance partners

Customer focus to unlock **brand potential**

TOWER brand refresh
Stronger service measures



Management of **risk and capital**

Increased reinsurance has lowered risk
\$12m of \$34m buyback complete
\$73m in surplus capital

Financial **performance**

Underlying NPAT up 29.6%
Full year dividend increased 10.3%

Industry consolidation opportunity

Industry concentration provides room for disrupters like Trade Me Insurance

Medium term **priorities**

Significant opportunity to improve the existing business

Strategic theme

Forward actions

Growth and retention

Outbound calling teams established to lift retention
Build branding to connect with customer
High performance customer service culture

New markets and channels

Execution of Trade Me opportunity; platform bedded in
Trade Me Insurance marketing drive to begin
Enhance capability in online delivery
New alliances and opportunities in the Pacific and NZ

Operational excellence

Improvements in claim management, efficient supply chain
Enhanced risk management framework
Simplification of processes
Focus on underwriting and pricing

Capital management

Maintain strong solvency, solid dividends
Manage capital efficiently



Thank you

+ Questions

Underlying performance

General Insurance

\$ million	Sep-15	Mar-15	Sep-14	Mar-14	Sep-13	Mar-13	Sep-12	Mar-12	Sep-11	Mar-11
Gross earned premiums	154.3	150.4	146.0	139.1	136.4	130.8	125.0	113.9	106.2	102.1
Reinsurance	(26.2)	(25.7)	(24.5)	(23.5)	(24.4)	(23.5)	(21.2)	(20.0)	(13.3)	(10.2)
Net premiums	128.1	124.7	121.5	115.6	112.0	107.3	103.8	93.9	92.9	91.9
Net incurred claims ¹	(60.0)	(55.5)	(52.7)	(53.4)	(48.7)	(52.6)	(46.4)	(44.9)	(41.7)	(44.6)
Large claim events ²	(4.9)	-	(9.6)	(4.8)	(6.2)	(3.3)	(0.2)	(1.1)	0.0	0.0
Management and sales expenses	(53.5)	(49.5)	(49.0)	(43.9)	(41.3)	(41.7)	(40.0)	(38.8)	(35.0)	(35.9)
Underwriting profit	9.6	19.7	10.2	13.5	15.7	9.7	17.2	9.1	16.2	11.4
Investment revenue	5.8	6.3	5.8	5.7	3.9	4.2	7.9	4.5	7.5	4.0
Underlying Profit before tax	15.5	26.0	16.0	19.2	19.6	13.9	25.1	13.6	23.7	15.4
Income tax expense	(4.6)	(8.2)	(4.0)	(6.1)	(6.5)	(8.0)	(6.9)	(5.0)	(9.0)	(5.4)
Underlying Profit (loss) after tax	10.8	17.8	12.0	13.1	13.1	5.9	18.3	8.6	14.7	10.0
(Loss) on disposal of subsidiaries	-	-	(3.6)	-	-	-	-	-	-	-
Impact of Canterbury earthquakes	(13.6)	(22.6)	-	(0.1)	(0.5)	(14.7)	(10.4)	(3.2)	(16.8)	(5.4)
Revaluation of Australia liabilities and FX loss ³	-	-	0.5	(1.2)	(1.1)	(6.0)	-	-	-	-
Profit (loss) after tax⁴	(2.8)	(4.8)	12.5	11.8	11.5	(14.8)	7.8	5.4	(2.1)	4.6

Underlying ratios	Sep-15	Mar-15	Sep-14	Mar-14	Sep-13	Mar-13	Sep-12	Mar-12	Sep-11	Mar-11
Combined ratio	92.5%	84.2%	91.7%	88.3%	85.9%	90.9%	83.4%	90.3%	82.6%	87.6%
Claims ratio	50.7%	44.5%	51.3%	50.4%	49.0%	52.1%	44.9%	49.0%	45.0%	48.5%
Expense ratio	41.8%	39.7%	40.4%	37.9%	36.9%	38.8%	38.5%	41.3%	37.6%	39.1%
Net incurred claims ¹	(60.0)	(55.5)	(52.7)	(53.4)	(48.7)	(52.6)	(46.4)	(44.9)	(41.7)	(44.6)

1. Net incurred claims includes \$1.8m of suspected arson fires in Cook Islands in the March 2014 period.

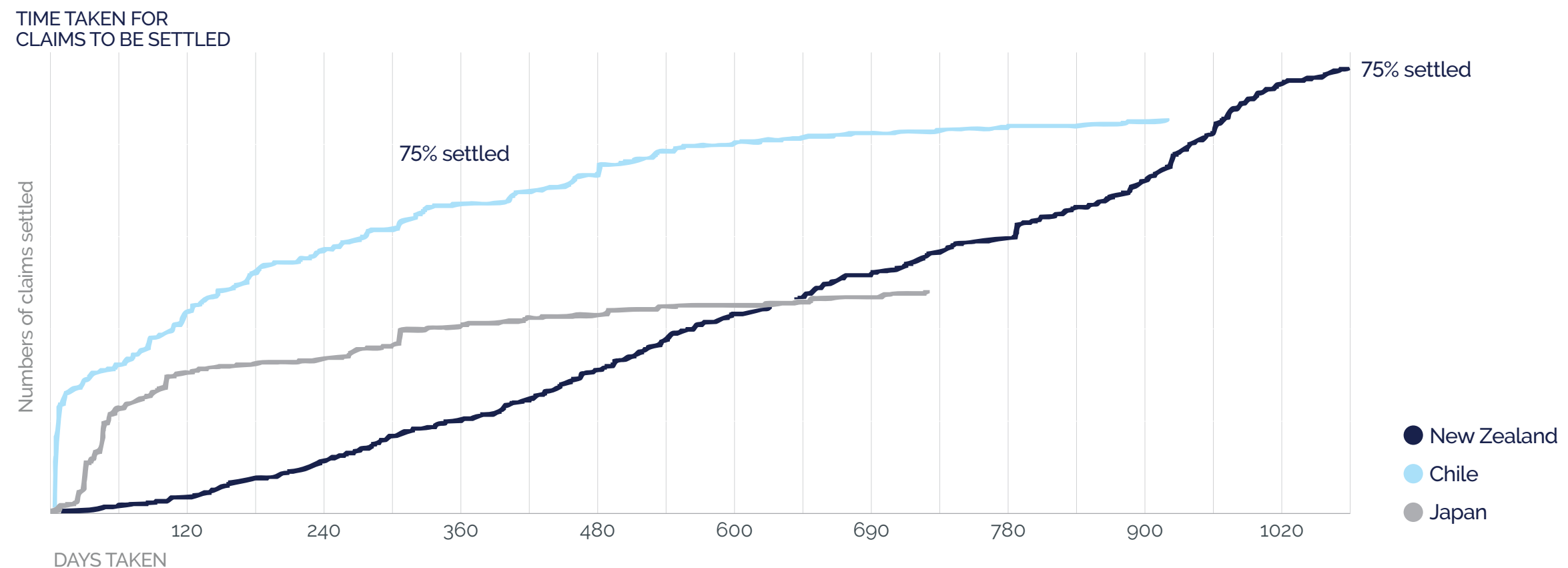
2. Claims events >1m (net of any reinsurance).

3. The impacts of the Canterbury earthquakes and the discontinuation of the Australian business are classified differently in the Group financial statements.

4. Excludes profit for the part year and loss on sale of TLNZ.

Industry progress

Settlement of claims has taken significantly longer than other recent earthquakes



+ Canterbury claims have taken significantly longer to settle for a number of reasons

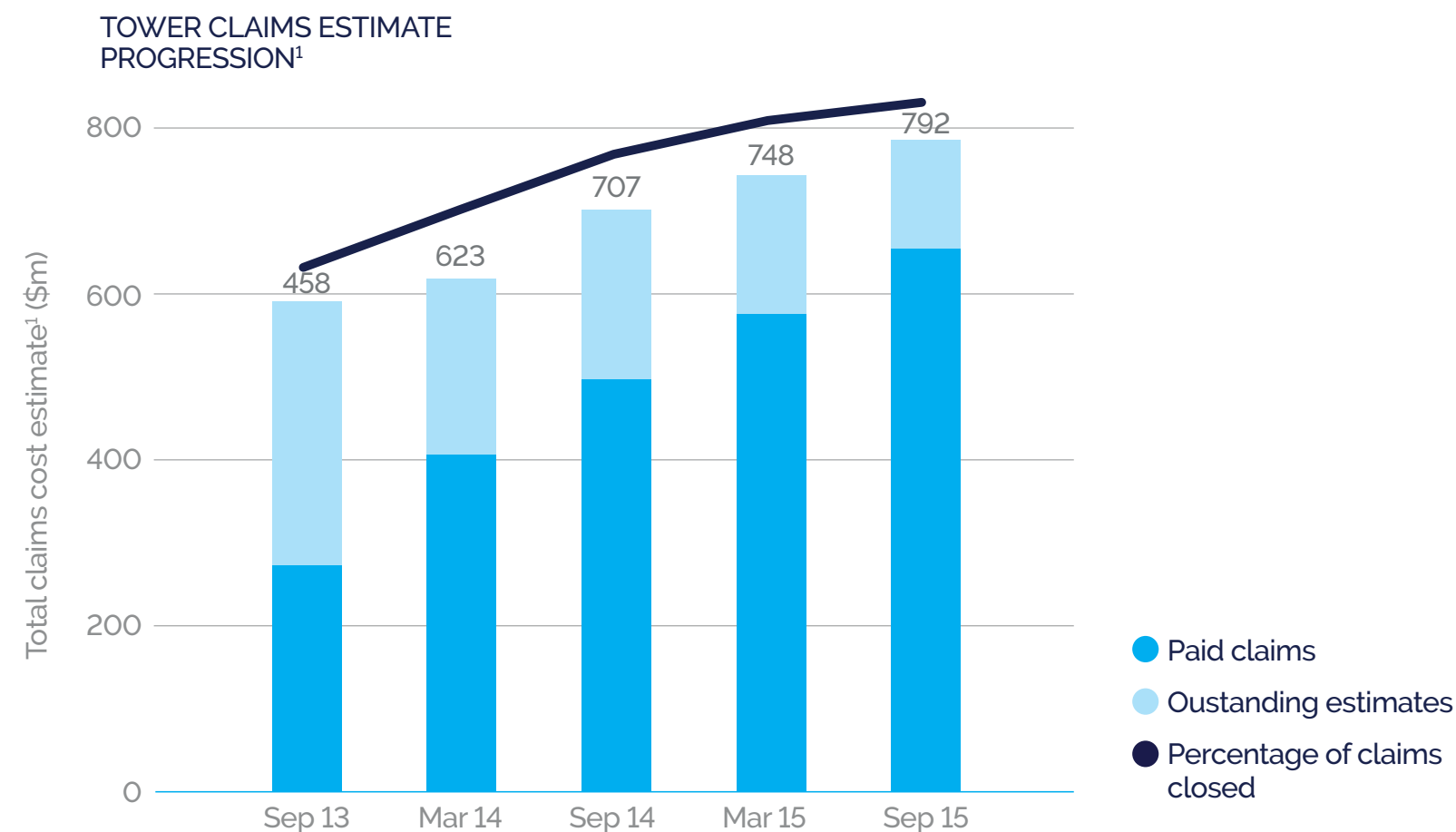
1. Event and damage was larger than the relevant industries were equipped to deal with
2. EQC has created delays due to the requirements for multiple assessment of sites
3. Ongoing seismic activity over an extended period of time made it difficult to assess damage
4. Full replacement policies have made insurers responsible for remediation implementation

+ TOWER has remained ahead of the curve on settlement due to active case management

+ Ongoing delays have caused cost inflation and uncertainty both for insurers and customers

TOWER Canterbury **progression**

Progress remains ahead of the industry



- + Canterbury events have been more complex than other comparable events
- + TOWER's costs have risen in line with other industry participants
- + TOWER has worked hard to settle all claims as soon as possible
 - 95.6% of claims closed by 30 September 2015
- + Acceleration of payments indicative of continued progress
 - \$654m of claims paid as at 30 September, \$87m in H2
 - Total claims outstanding of \$206.6m (inclusive of EQC recoveries)

Net provisions outstanding (\$m)

Total claims outstanding	206.6
EQC Recoveries	(57.4)
Reinsurance recoverables	(103.2)
Outstanding claims payable	46.2

Provision **increase**

FY15 Net Profit after tax impact of increased provisions of \$36.2m

(\$m)	Feb 11 event		FY15	Total Canterbury		
	H1	H2		H1	H2	FY15
Balances outstanding						
Claims estimates ¹	404.3	457.5		748.3	792	
Reinsurance recoveries	(335.2)	(374.4)		(662.6)	(692.2)	
Net claims expense to TOWER	69.1	83.2		85.7	99.8	
Movements						
Movements in claims costs	35.5	53.2	88.7	41.4	43.6	85.1
Reinsurance recoveries	(4.1)	(39.2)	(43.3)	(10.0)	(29.6)	(39.6)
Cost of the ADC	-	4.8	4.8	-	4.8	4.8
Net provision increase	31.4	18.9	50.3	31.4	18.9	50.3
Tax benefit	(8.8)	(5.3)	(14.1)	(8.8)	(5.3)	(14.1)
Net impact	22.6	13.6	36.2	22.6	13.6	36.2

1. Net of EQC recoveries

- + Full year cost of Canterbury earthquakes now \$36.2m, additional \$13.6m costs incurred in H2
- + Increase in provision due to movement in estimates for the Feb 11 event, the only event that has exceeded reinsurance limits
- + Reinsurance recoveries for Feb 11 event in FY15 reflect recoveries against ADC
- + Costs have risen at a greater level for the Feb 11 event due to impact of claims allocation between the four different events
- + ADC has now been fully utilised and has therefore been expensed in the period
- + Higher level of detail in estimate and reserve process results in higher confidence in estimates

Leading light

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