



16 March 2020

Market Information
NZX Limited
Level 2, NZX Centre
11 Cable Street
Wellington
New Zealand

Company Announcements Office
Australian Securities Exchange Limited
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000
Australia

Tower rating reaffirmed as A- (Excellent)

Global insurance company ratings specialist A.M. Best Company has reaffirmed Tower Insurance Limited's (TIL) financial strength rating as A- (Excellent), with a stable outlook, reflecting Tower's performance, very strong balance sheet, neutral business profile and appropriate enterprise risk management.

TIL's Issuer Credit Rating (ICR) was also affirmed as "a-" with its parent company Tower Limited (TL) affirmed a Long-Term ICR of "bbb-".

In its announcement, A.M. Best Company noted that the rating reflects an improved return-on-equity ratio and strengthened operating performance. AM Best also noted it expects TIL to continue to report positive underwriting and operating results over the medium term, supported by appropriate risk selection and pricing, as well as through anticipated expense efficiencies achieved by core system upgrades in recent years.

Tower Chairman Michael Stiasny welcomed the confirmation from A.M. Best saying that it reinforced the fact that the company has been turned around.

"A.M. Best's announcement is confirmation that we have a strong and stable base to work from and are accelerating the delivery of our strategy to continue delivering positive results," said Stiasny.

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

ENDS

This announcement is authorised by the Board.

Richard Harding
Chief Executive
Tower Limited
ARBN 088 481 234 Incorporated in New Zealand

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AM Best Affirms Credit Ratings of Tower Insurance Limited and Tower Limited

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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
089186	Tower Insurance Limited
091883	Tower Limited
093397	Youi NZ Pty Limited

FOR IMMEDIATE RELEASE

SINGAPORE - MARCH 13, 2020

AM Best has 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, AM Best has affirmed the Long-Term ICR of "bbb-" of TIL's ultimate parent, Tower Limited (TL) (New Zealand). The outlook of these Credit Ratings (ratings) remains stable.

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

TIL's balance sheet strength assessment is underpinned by its risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), which is expected to remain at least at a very strong level over the medium term. AM Best also views TIL as having robust financial flexibility as a result of its ownership by TL, a listed company with a track record of accessing capital markets. In September 2019, following a rights issue at TL, a capital injection of NZD 45 million was provided to TIL. This was to support the purchase of Youi NZ Pty Limited's (Youi NZ) insurance portfolio and strengthen TIL's capital position in light of a change to its license conditions imposed by the Reserve Bank of New Zealand, with effect from Oct. 31, 2019. The modified license conditions require TIL to remove Earthquake Commission (EQC) receivables emanating from the Canterbury earthquakes in 2010 and 2011 from its solvency calculations,

as a result of the increased likelihood of litigation and associated delay in receiving funds. While AM Best considers TIL's ongoing exposure to the Canterbury earthquakes as a partially offsetting balance sheet factor, reflecting the potential for future adverse reserve development and lower-than-expected EQC recoverables, the capital raising actions in 2019 have provided an improved buffer against these risks in TIL's capital adequacy.

TIL reported a return-on-equity ratio of 9.8% for fiscal-year 2019, a notable improvement following operating losses in the prior four consecutive years (fiscal-years 2015 to 2018). The strengthened operating performance in the latest fiscal-year was driven primarily by increased stability in Canterbury Earthquake reserves and a largely benign environment for weather-related losses, supporting a lower loss ratio during the period. The combined ratio improved to 94.3% in fiscal-year 2019, as compared with a five-year average of 102.4% (fiscal-years 2014 to 2018). Prospectively, AM Best expects TIL to continue to report positive underwriting and operating results over the medium term, supported by appropriate risk selection and pricing, as well as through anticipated expense efficiencies achieved by core system upgrades in recent years.

AM Best views TIL's business profile as neutral. The company is a medium-sized non-life insurer that operates predominantly in New Zealand, with some operations based in the Pacific Islands. TIL has a market share of approximately 4% in New Zealand's general insurance market and reported gross written premiums (GWP) of NZD 357 million in fiscal-year 2019. The company's core product offerings are home and motor insurance, with a significant portion of the business sourced from direct marketing and partnerships. On Dec. 31, 2019, TIL also completed the acquisition of Youi NZ's insurance portfolio, which generated approximately NZD 24 million of GWP during its last financial year prior to the acquisition and is composed of mainly home and motor products.

TL is a non-operating holding company, and the level and the Long-Term ICR outlook reflect standard notching from the ratings of TIL, which is its lead insurance subsidiary.

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 AM 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 AM Best's Recent Rating Activity

web page. For additional information regarding the use and limitations of Credit Rating opinions, please view Guide to Best's Credit Ratings. For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases.

AM Best is a global credit rating agency, news publisher and data analytics provider specializing in the insurance industry. Headquartered in the United States, the company does business in over 100 countries with regional offices in New York, London, Amsterdam, Dubai, Hong Kong, Singapore and Mexico City.



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