



TOWER Limited
Level 14, 45 Queen Street
Auckland 1142, New Zealand
ARBN 645 941 028
Incorporated in New Zealand

Market Information
NZX Limited
Level 1, NZX Centre
11 Cable Street
Wellington
New Zealand

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

17 May 2021

Tower Insurance Updates Guidance

Tower Limited (NZX/ASX:TWR) has today revised its guidance on underlying profit for the 2021 financial year.

The company now expects underlying net profit after tax (NPAT) of \$25 million to \$27 million for the year ended 30 September 2021. The previously announced guidance was for underlying NPAT of greater than \$29.8 million.

In addition to higher frequency of house claims, this revision reflects emerging industry trends relating to inflationary pressures on building costs. Growth in Gross Written Premium (GWP) is forecast to be 5% or greater, despite declining GWP in the Pacific business due to Covid-19. Tower also expects continuing improvement in its management expense ratio.

Higher claims costs are largely being driven by an increased frequency of large house claims (claims totalling more than \$50,000), with Tower accepting 52 large house claims totalling \$9m in the first half. This compares to 26 large house claims worth \$4.9m in the corresponding period of FY20. Tower has also noted emerging house claims inflation across the portfolio.

The low interest rate environment is impacting investment income, with \$0.6m income in the first half of 2021 compared with \$2.2m in the corresponding period of 2020.

CEO Blair Turnbull says, "While there is always volatility in claims, we recognise that these emerging external pressures need to be quickly addressed. We have commenced an accelerated assessment of our FY21 claims experience to enable the company to determine adjustments to claims processes and pricing. The company intends to act decisively to adopt new approaches to manage this risk and strengthen our position.

"Fortunately, Tower's digital systems and processes mean we are well placed to respond rapidly with rating and underwriting actions to address higher claims levels. We are also working with our supply chain to moderate increases. These actions will take time to gain traction, however we expect to begin realising benefits in the second half," he said.

Separately, following a review of the FY21 reinsurance programme, there could potentially be an increase in the full year reinsurance costs for FY21. It is anticipated the additional costs, if any, would be within the tolerances of this guidance.

The full year guidance will be discussed in more detail at the interim result announcement on 26 May, 2021.

Tower remains committed to its dividend policy of paying 60% to 80% of cash earnings where it is prudent to do so. Accordingly, the Board anticipates declaring an interim dividend of 2.5 cents per share next week.

Mr Turnbull says, "Tower remains confident that our current strategy delivers sustainable value, and that the positive initiatives we are undertaking along with new partnerships will add significant growth in premiums and profitability, beginning late in FY21 but with the full benefits realised in FY22 and beyond."



TOWER Limited
Level 14, 45 Queen Street
Auckland 1142, New Zealand
ARBN 645 941 028
Incorporated in New Zealand

ENDS

This announcement has been authorised by the Tower Board

TOWER
Blair Turnbull
Chief Executive Officer
Tower Limited

For media enquiries, please contact in the first instance:
Emily Davies
Head of Corporate Affairs and Reputation
Tower Limited
Mobile: +64 21 815 149
Email: emily.davies@tower.co.nz