Level 5, 136 Fanshawe Street
Auckland 1142, New Zealand
ARBN 645 941 028

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

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Successful placement of FY23 reinsurance programme

Kiwi insurer Tower (NZX/ASX: TWR) has successfully renewed its reinsurance programme for the 2023 financial year, obtaining comprehensive cover with very competitive rates for its home, motor, boat and commercial portfolios, across New Zealand and the Pacific.

Tower's reinsurance strategy provides protection from volatility caused by large events and maintains financial flexibility to support growth, while underpinning strong solvency.

Tower CFO Paul Johnston says, "Tower's strong global relationships allow us to efficiently manage risk through one of the most challenging reinsurance markets we've seen in over 40 years.

"Reinsurers are attracted to Tower's robust risk management capabilities, strong underwriting, including our approach to risk-based pricing, and our dynamic rating capability."

Tower has increased its catastrophe upper limit to $934m to reflect its business growth. The catastrophe cover excess is $11.8m, in line with previous years. This cover also factors in recent changes to the Toka Tū Ake EQC cap.

Tower's reinsurance premiums for FY23 have increased by 6.7% against FY22 as a result of both business growth and the hardening global reinsurance market. However, Tower will be paying proportionally less for its reinsurance cover in FY23 at 13.6% of total income, compared to 14.3% of total income in FY22 (excluding the aggregate programme). This proportional reduction reflects reinsurers' confidence in Tower's positive business performance.

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Due to market conditions and large losses internationally, reinsurers have moved away from aggregate structures at reasonable pricing, therefore Tower has elected not to purchase aggregate cover for FY23. The aggregate programme previously covered the insurer for multiple large events losses over the year.

Mr Johnston says, “Given Tower’s growth in recent years, our balance sheet strength and increased capability to absorb risks this new structure offers strong value for shareholders. Tower will prudently apply the cost savings from not buying the aggregate cover towards significantly increasing our budget for large events from $20m in the 2022 financial year to $30m in the 2023 financial year.

To date, in the 2022 financial year Tower’s large events claims have exceeded the FY22 aggregate cover excess of $20m by close to $2m. This includes an estimate of $3.7m for August’s recent large storm event in the Nelson area.

“Tower is committed to returning value to shareholders in the form of steady dividend payments and our FY23 reinsurance structure positively supports this goal,” says Mr Johnston.

ENDS

This announcement has been authorised by Tower Chief Executive, Blair Turnbull.

For media enquiries, please contact in the first instance:
Emily Davies
Head of Corporate Affairs and Sustainability
Tower Limited
Mobile: +64 021 815 149
Email: emily.davies@tower.co.nz