

28 February, 2023

Tower remains resilient to weather events, delivers strong Q1 result

Kiwi insurer, Tower Limited (NZX/ASX: TWR) today holds its Annual Shareholder Meeting. The insurer announces a strong first quarter result for the 2023 financial year, as the company remains resilient following the Auckland & Upper North Island Weather Event, and Cyclone Gabrielle.

Tower CEO Blair Turnbull says, "Tower is focused on supporting customers and communities throughout the recovery from these events. We plan for such events, both financially and in our operations. Our continued growth and agility in responding to external challenges positions Tower positively for the future," he says.

Q1 trading update¹

In the three months to 31 December 2022, Tower recorded \$123 million gross written premium (GWP), representing growth of 12.5% on the same period last year. New Zealand personal lines market share increased to 9.5%, up from 9.2% in the same period last year through a balanced mix of rating and volume. New Zealand risks in force grew to 582,000, an increase of 5% versus the December 2021 quarter.

Strong premium growth combined with disciplined cost control saw Tower's management expense ratio improve to 35% from 38% in the same period last year.

The insurer continues to actively manage external factors that put pressure on claims costs in the quarter through a combination of digital efficiencies, and rating and underwriting changes. Average motor claims frequency increased to 13%, up from 12% pre Covid due to higher traffic volumes and an increase in motor thefts. These factors have contributed to a claims ratio excluding large events of 54% for the quarter compared to 47% in the same period last year.

Building on its approach to risk-based pricing for earthquake and inland flooding risks, Tower plans to expand its natural hazards model to include landslips and coastal hazards in FY23.

Update on Auckland and Upper North Island Weather Event, and Cyclone Gabrielle

Further to Tower's update to the market on 17 February regarding the Auckland and Upper North Island weather event, Tower has received around 5,325 claims.

Tower has estimated the ultimate cost of the Auckland and Upper North Island weather event to be within the range of \$95m to \$125m. Costs for this event will predominantly be covered by Tower's reinsurance for catastrophe events which has an excess of \$11.875m.

Tower has received approximately 2,200 claims for damage caused by Cyclone Gabrielle and is in the early stages of estimating its financial impact as further claims continue to be received. Tower expects Cyclone Gabrielle is likely to also trigger Tower's reinsurance for catastrophe events, with an excess of \$11.875m.

Reinsurance update

Following the Auckland and Upper North Island Weather Event and Cyclone Gabrielle and in line with Tower's comprehensive approach to reinsurance, the insurer is progressing reinstatement cover to ensure it maintains sufficient protection for two additional catastrophe events.

¹ Financial information provided in this update is based on Tower's unaudited management accounts as at 31 December 2022.



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Full Year Guidance

Tower's full year underlying NPAT guidance is between \$18m and \$23m. This includes a large events allowance of \$40m and the expected cost of reinstating reinsurance arrangements.

Tower's forecast dividends are 5 cents per share for the full year. Final decisions on dividends are made when Tower's results are approved, in accordance with Tower's ordinary dividend policy, acting prudently and in light of information available at that time.

ENDS

This announcement has been authorised by:

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