

19 July 2023

**Tower changes guidance, provides Q3 trading update**

Tower Limited (NZX/ASX:TWR) has today updated its market guidance on underlying net profit after tax (NPAT) for the year ending 30 September 2023. Full year guidance is revised to a range of between a loss of \$2m and a profit of \$3m from a profit of between \$8m and \$13m, due to the ongoing challenging claims environment in New Zealand.

Inflation, motor crime and supply chain issues have continued to worsen over the third quarter (Q3), with the average cost of motor claims increasing by 20% year on year to circa \$3,400. Despite increasing motor insurance premiums by an average of 26% in the past year, Tower's claims ratio excluding large events has deteriorated to 55% at 30 June 2023, from 52% at 31 March 2023. Persistent wet weather and other factors are also resulting in motor and house claims frequency above historical norms.

In conjunction with implementing additional rating increases, Tower is further tightening its risk selection; automating claims management processes; and working closely with suppliers to manage rising costs. It takes 12 months for the full impact of rating and underwriting actions to be seen as they take effect as insurance policies are renewed.

Following the Auckland floods on 9 May and revisions to estimates for Cyclones Judy and Kevin in Vanuatu, large events costs are now \$39.5m (excluding costs of reinstating reinsurance cover), leaving \$10.5m of Tower's \$50m large events allowance for the remainder of the year to 30 September 2023. Tower has now settled more than 50% of the claims received from January's Auckland and Upper North Island weather event and Cyclone Gabrielle. The insurer has implemented a dedicated event response function and scaled up its Fiji-based resourcing to ensure remaining large event claims are resolved efficiently.

At the end of Q3, year to date Gross Written Premiums were up 16.5% on the prior year (excluding Tower PNG), to \$385m. Accordingly, Tower maintains its guidance for GWP growth in a range of between 15% and 20%.

Tower's expense ratio has improved to 34% at end of Q3, versus 36% for the same period last year, due to efficiencies from digitisation and diligent cost control.

Tower's estimated solvency ratio as at 30 June 2023 is 134%, up from 125% at 31 March 2023.

Financial information provided in this update is based on Tower's unaudited management accounts as at 30 June 2023.

**ENDS**

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

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