

8 May, 2023

Tower Updates Guidance, Provides Update on Large Events

Tower Limited (NZX/ASX: TWR) has today provided an updated claims cost estimate for the Auckland and Upper North Island Weather Event and Cyclone Gabrielle as well as a claims cost estimate for Cyclones Judy and Kevin which impacted Vanuatu in March. Additionally, Tower has updated its market guidance.

Tower CEO, Blair Turnbull says, "Over a three-month period New Zealand has experienced record flooding in Auckland and its worst cyclone this century. There has also been two significant cyclones in Vanuatu. Tower is working efficiently to support customers while managing a substantial volume of claims. Tower remains resilient, is focused on careful risk selection and risk-based pricing, and is well placed to deliver sustainable growth and earnings."

Auckland and Upper North Island Weather Event

Auckland and Upper North Island Weather event claim numbers remain consistent with earlier estimates at around 5,550 claims.

With the bulk of claims assessments now completed, Tower estimates that the average claims cost for this event will be around double that of other recent large weather events. This is due to deeper flood waters in high density areas causing substantially more damage, contamination, and landslides.

Consequently, Tower has increased its estimate for the ultimate cost for this event to a range of between \$195m to \$225m, up from a range of \$95m to \$125m.

Costs above \$11.9m for this event will be covered by Tower's reinsurance for catastrophe events.

Cyclone Gabrielle

Tower has received approximately 3,350 claims from Cyclone Gabrielle and estimates the financial impact of this event to be within the range of \$55m to \$75m. Costs above \$11.9m will be covered by Tower's catastrophe reinsurance cover.

Vanuatu Cyclones

Category 4 and 5 cyclones, Judy and Kevin caused widespread impacts in Vanuatu between 1 and 5 March. Cyclones in the Pacific and Vanuatu are relatively frequent and do not always result in substantial claims, however these consecutive events hit the capital, Port Vila, resulting in one in every five homes being significantly damaged.

The assessment process for these events was delayed due to restricted access and challenges to telecommunications and electricity services. Tower has received 250 claims for this event and estimates the net financial impact after proportional reinsurance to be \$10m, which is within Tower's FY23 large events allowance.

Robust reinsurance protection

Tower's robust reinsurance arrangements have multiple levels of cover in place and provide up to \$889m of catastrophe cover.



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In line with Tower's prudent and comprehensive approach to reinsurance, Tower is seeking to reinstate catastrophe reinsurance to cover the increased cost of the Auckland event. Tower has full protection for a third catastrophe event and will reinstate full levels of protection for a fourth catastrophe event in the financial year.

Tower has sufficient reinstatement cover for Cyclone Gabrielle claims.

Tower updates FY23 guidance

Tower has updated its full year underlying net profit after tax (NPAT) guidance to between \$8m and \$13m, from a range of between \$18m and \$23m. This guidance includes the expected cost of further reinstatements to reinsurance arrangements as well as an increase in the large events allowance.

Large events costs now total \$34m. Therefore, acting prudently, Tower has increased its FY23 large events allowance from \$40m to \$50m.

Tower is also increasing its guidance for gross written premium (GWP) growth from a range of 10% to 15%, up to a range of between 15% and 20%. This increase reflects strong rating response to address inflation, reinsurance increases and higher motor and other claims frequency.

Tower expects to report a loss after taxation for the first half of FY23 of around \$3m. Accordingly, Tower expects that it will not pay an interim dividend. A final decision on a full year dividend will be made when Tower's full year results are finalised.

Tower will provide more information in its half year results announcement on Thursday, 25 May 2023.

ENDS

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

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