



18 July 2016

Market Information
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Level 2, NZX Centre
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Wellington
New Zealand

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

Tower Insurance Limited maintains excellent (A-) financial strength rating

Global insurance company ratings specialist, A.M. Best Company has affirmed its financial strength rating for Tower Insurance Limited as A- (Excellent).

The company's issuer credit rating was affirmed as a-.

In its announcement, A.M. Best Company noted that Tower Insurance Limited's ratings reflect the company's adequate risk-adjusted capitalisation, moderate underwriting leverage, prudent reinsurance arrangement and conservative investments. The Company also identified that Tower Insurance Limited continues to report favourable underwriting results, with combined ratios consistently below 95 per cent over the past four years.

Tower Chief Executive Officer, Richard Harding today welcomed the ratings affirmation.

"The A- ratings support the fact that Tower retains a strong and stable capital base which is allowing us to invest in the business as we focus on implementing initiatives to drive performance improvement," Mr Harding said.

A copy of the A.M. Best Company's news release is attached.

ENDS

Richard Harding
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Press Release - JULY 15, 2016

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A.M. Best Affirms Ratings of TOWER Limited and TOWER Insurance Limited

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Related Companies

For information about each company, including the AMB Credit Reports, group members (where applicable) and news stories, click on the company name. An additional purchase may be required.

AMB#	Company Name
085484	TOWER Insurance Limited
089186	TOWER Insurance Limited
089370	TOWER Limited
091883	TOWER Limited

FOR IMMEDIATE RELEASE

SINGAPORE - JULY 15, 2016

A.M. Best has affirmed the financial strength rating of A- (Excellent) and the issuer credit rating (ICR) of "a-" of **TOWER Insurance Limited (TIL)**. A.M. Best also has affirmed the ICR of "bbb-" of the ultimate parent, **TOWER Limited (TL)**. The outlook for each rating remains negative. Both companies are domiciled in New Zealand.

The ratings reflect TIL's adequate risk-adjusted capitalization, which results from the company's moderate underwriting leverage, prudent reinsurance arrangement and conservative investments. In addition, over the past four accident years, the company continues to report favorable underwriting results, with combined ratios consistently below 95%.

A major offsetting factor in TIL's rating assessment is the volatility in its historical earnings, stemming largely from prior-year reserve adjustments for unsettled Canterbury earthquake claims. Another offsetting factor is the high dividend payout ratio, which has constrained growth in its absolute and risk-adjusted capitalization.

The negative outlook for TIL's ratings reflects A.M. Best's concern about the company's financial profile deteriorating in the event of further loss development from the Canterbury earthquake claims. Based on the company's interim financial statements through March 31, 2016, the estimated gross ultimate incurred claims for the February 2011 event have exceeded the catastrophe reinsurance and adverse development cover limits. Hence, any further significant loss development on the unsettled claims in relation to this event will be fully retained by the company and may have a material impact on its prospective financial strength.

TL is a non-operating insurance holding company, and the level and the outlook of its ICR illustrates the principle of standard notching from the rating of TIL, which is its lead insurance subsidiary.

Factors that may lead to negative rating actions include continued adverse loss development or a reduction in capital that could cause the company's risk-adjusted capitalization to decline. Furthermore, TIL's ratings may experience downward pressure if TL's financial flexibility deteriorates significantly on a consolidated basis.

Ratings are communicated to rated entities prior to publication. Unless stated otherwise, the ratings were not amended subsequent to that communication.

This press release relates to rating(s) that have been published on A.M. Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see A.M. Best's [Recent Rating Activity](#) web page.

A.M. Best is the world's oldest and most authoritative insurance rating and information source.

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