



Level 5, 136 Fanshawe Street  
Auckland 1142, New Zealand  
ARBN 645 941 029  
Incorporated in New Zealand

21 February 2024

**Tower Limited Annual Shareholder Meeting Materials**

Attached is:

- a. Market Announcement
- b. Investor Presentation
- c. Address to shareholders

ahead of Tower's Annual Shareholder Meeting to be held today at 10am.

**ENDS**

This announcement has been authorised by:

Blair Turnbull  
Chief Executive Officer  
Tower Limited

For media enquiries, please contact in the first instance:

Emily Davies  
Head of Corporate Affairs and Sustainability  
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[emily-davies@tower.co.nz](mailto:emily-davies@tower.co.nz)

**21 February, 2024**

**Tower reports strong four-month trading result at ASM**

***Sharp focus on strategy leads to growth and efficiencies***

Kiwi and Pacific insurer, Tower Limited (NZX/ASX: TWR) reported a strong four-month trading result at its annual shareholder meeting today following an update on its 2024 financial year earnings guidance last week.

Tower CEO, Blair Turnbull says, "Our sharp focus on Tower's digital direct strategy along with strong risk selection and robust reinsurance has helped the company navigate the challenges of the last financial year.

"Our positive four-month trading performance is driven by strong premium growth and continuing business efficiencies from ongoing digitisation, operational improvements delivered in part by Tower's hub in Suva, and recent strategic divestments," he says.

Gross written premium (GWP) has risen by 21% to \$194m compared to the same period last year, reflecting rate increases to offset inflation and higher claims and reinsurance costs.

Customer numbers have also grown from 315,000 to 319,000 customers over the year.

GWP growth, combined with disciplined cost control, is resulting in continued management expense ratio (MER) improvements. The MER reduced to 31% in the four months vs 35% in the prior comparable period.

The BAU claims ratio has increased to 54%, up from 52% for the same period last year. However, this is down from 59% for the four months ending 30 September 2023 as the targeted underwriting actions and rating increases for higher risk assets implemented in the past 12 months across the motor and home portfolios are taking effect.

No large events were recorded in the four-month period.

Today, Tower shared new, medium-term performance targets with the market. In FY25 Tower is targeting to deliver underlying NPAT of between \$40m and \$60m and between \$60m and \$80m in FY26.

Mr Turnbull says Tower is well positioned looking forward, "These targets reflect our plan for future customer and premium growth, improved efficiencies, and ultimately attractive shareholder earnings."

Should Tower exceed its FY24 guidance in line with current expectations, this will positively flow through to the FY25 and FY26 target ranges.

On 14 February Tower advised the market that it expects FY24 full year underlying NPAT to be at the upper end of, or exceed, the previously advised range of between \$22m and \$27m. This assumes full utilisation of a \$45m large events allowance. Tower also expects



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GWP to be at the top end of, or exceed, the current guidance range of 10% to 15% growth, and combined operating ratio (COR) to be at the bottom end of, or favourable to, current guidance of 95% to 97% over the FY24 year.

Consideration will be given to restarting dividends when Tower's half year results are finalised in May.

The strategic review announced by Tower's Board in December 2023 is ongoing, with a range of options being considered to ensure continued success in the marketplace.

Financial information provided in this update is based on Tower's unaudited management accounts as at 31 January, 2024.

**Ends**

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

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Emily Davies

Head of Corporate Affairs and Sustainability

021 815 149

[emily.davies@tower.co.nz](mailto:emily.davies@tower.co.nz)



# Tower

## Annual Shareholder Meeting

21 February, 2024



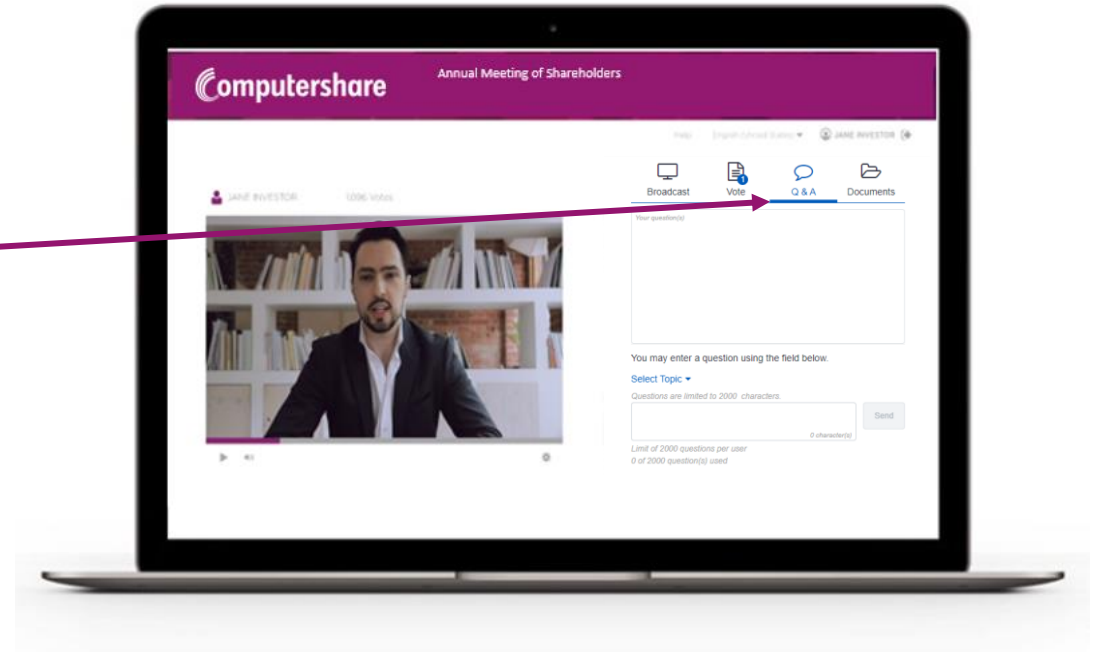


# Questions

## Shareholder & Proxyholder Q&A Participation

**Written Questions:** Questions may be submitted ahead of the meeting. If you have a question to submit during the live meeting, please select the Q&A tab on the right half of your screen at anytime. Type your question into the field and press submit. Your question will be immediately submitted.

**Help:** The Q&A tab can also be used for immediate help. If you need assistance, please submit your query in the same manner as typing a question and a Computershare representative will respond to you directly.



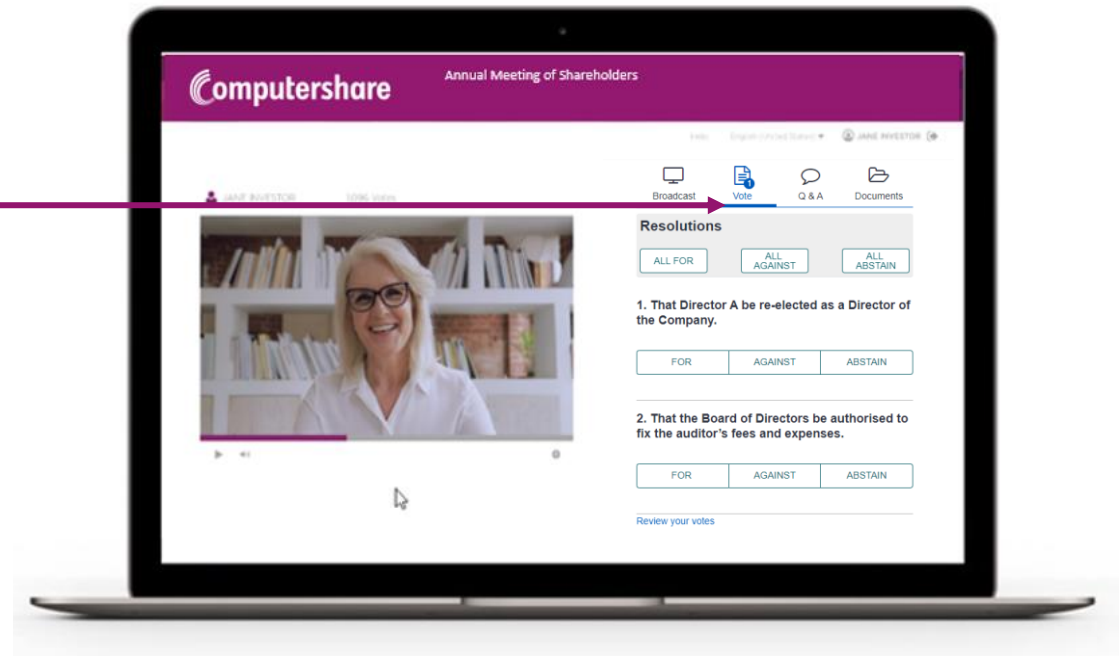
# Voting process

## Shareholder & Proxyholder Voting

Once the voting has been opened, the resolutions and voting options will allow voting.

To vote, simply click on the Vote tab, and select your voting direction from the options shown on the screen. You can vote for all resolutions at once or by each resolution.

Your vote has been cast when the tick appears. To change your vote, select 'Change Your Vote'.



# Agenda



## Chairman's address

Michael Stiasny, Chairman



## CEO's address

Blair Turnbull, Chief Executive Officer



## Shareholder resolutions Questions & general business

Michael Stiasny, Chairman





# Chairman's update

Strong underwriting discipline, business performance and growth positions Tower well

## 1. Our place in the Pacific

- 150 years in Fiji, supporting Pacific resilience
- Delivering growth and opportunity

## 2. Insurance remains critical

- Strong growth demonstrates people value insurance
- Continuing focus on developing innovative offers

## 3. Tower is well positioned

- Underlying NPAT expected to be at the upper end of or exceed guidance range of \$22m - \$27m
- \$45m large events allowance available & solvency position above target
- Metrics indicate Tower remains undervalued

## 4. Strategic review progressing

- Options being considered to maximise shareholder value
- BAU focus remains on strategy and business delivery



# CEO address

Blair Turnbull  
Chief Executive Officer



# Tower's journey

2015–2019

## RE-PLATFORM

Product rationalisation 400 to 14

\$47m investment in cloud-based, EIS platform

Earthquake risk based pricing

2020 - 2021

## RESOLVING LEGACY ISSUES

EQC settlement

RBNZ solvency condition reduced \$25m

Tower entity amalgamation

Flood risk based pricing

2022-2023

## FUNDAMENTALS & RESILIENCE

>50% digital transactions

Risk based pricing on 4 perils

Enhanced, targeted motor pricing

Partnership patterns in place with lower commission schedules

Bank book acquisitions

Strong reinsurance programme

2024 - 2026

## BEST DIRECT, PERSONAL LINES INSURER

Leading end to end customer experience

- One core digital platform
- 80% digital transactions
- Claims transformation completed
- Leading house proposition

Operational efficiency

- Simplified business processes
- Digital first, One core system
- Suva operational hub
- Streamlined lean business, non-core portfolios/markets divested

## Our Purpose

To inspire, shape and protect the future for the good of our customers and communities.

## Our Vision

Ta tātou kaupapa

To deliver beautifully simple and rewarding experiences that our people and our customers rave about.

## Our Strategy

To be the best direct insurer in our selected markets differentiated through digital and data, fair and transparent, and with customer care in everything we do.



## Our Values



We do what's right



Our people come first



Our customers are our compass



Progress boldly

## Our Strategic Pillars

LEADING  
CUSTOMER  
EXPERIENCE

Succinct, easy customer experiences across the lifecycle

OPERATIONALLY  
EFFICIENT &  
EFFECTIVE

Digitise and automate core processes and leverage geographical footprint

HIGH  
PERFORMING  
CULTURE

An inclusive, diverse and risk aware culture. Empower our people to achieve great things

RESILIENT

Manage volatility and deliver sustainable outcomes for all stakeholders

## Our Focused Outcomes



50% net promoter score



80% digital adoption across customer journeys



8.0 employee engagement



B Corp accreditation



# FY23 performance

Business performance impacted by catastrophe events

GWP growth

(Gross written premium)

**17%<sup>1</sup> | \$527m**

vs \$457m in FY22

Customers<sup>1</sup>

**321,000**

vs 310,000 in FY22

BAU claims ratio

(Business as usual)

**55.5%**

vs 48.9% in FY22

MER

(Management expense ratio)

**32.2%**

vs 36% in FY22

Large event costs

(including reinsurance reinstatement)

**\$55.6m**

vs \$19m in FY22

Solvency ratio

**159%**

vs 205% in FY22

Underlying profit<sup>2</sup>

**\$7.6m**

vs \$27.3m in FY22

Reported loss

**-\$1.2m**

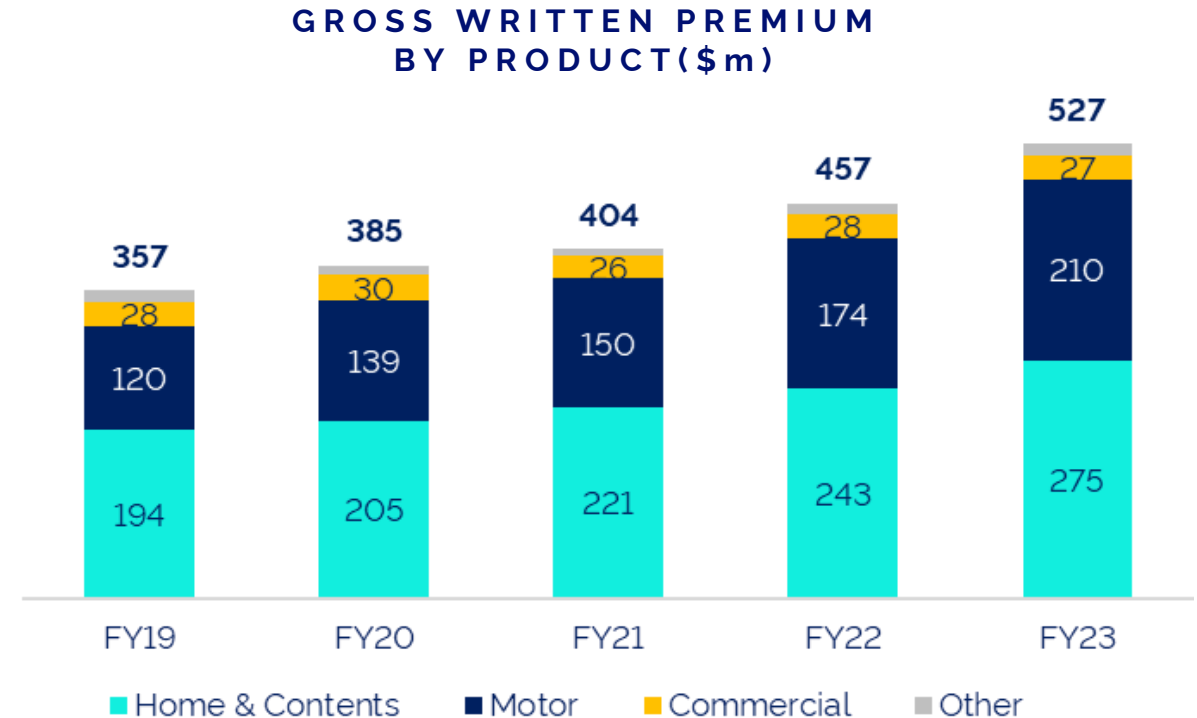
vs \$18.9m profit in FY22

Note 1: Adjusted to exclude Papua New Guinea

Note 2: Tower uses underlying (loss)/profit as an internal reporting measure of Tower's underlying performance than reported (loss)/profit, as it excludes large or non-recurring items that may obscure trends in Tower's underlying performance, and is useful to investors as it makes it easier to compare Tower's financial performance between periods

# FY23: Targeted customer and premium growth

- 17% GWP growth (75% rate: 25% volume)<sup>1</sup>
- 19% GWP growth in NZ; 4% GWP growth in Pacific<sup>1</sup>
- 26% GWP growth in active partnerships to \$82m
- 77% NZ retention - stable vs FY22
- 50% of customers as at 30 September 2023 hold multiple policies and have an average tenure of 8 years



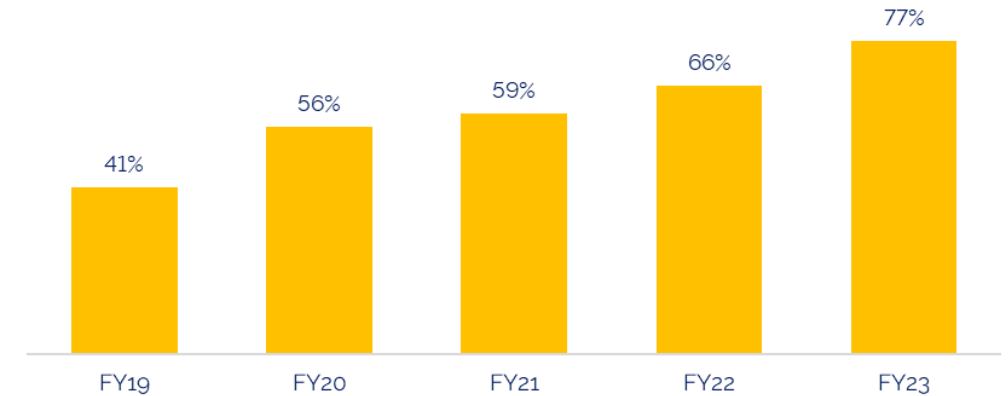
Note 1: Adjusted to exclude Papua New Guinea

# FY23: Customer experience improves through digital and data

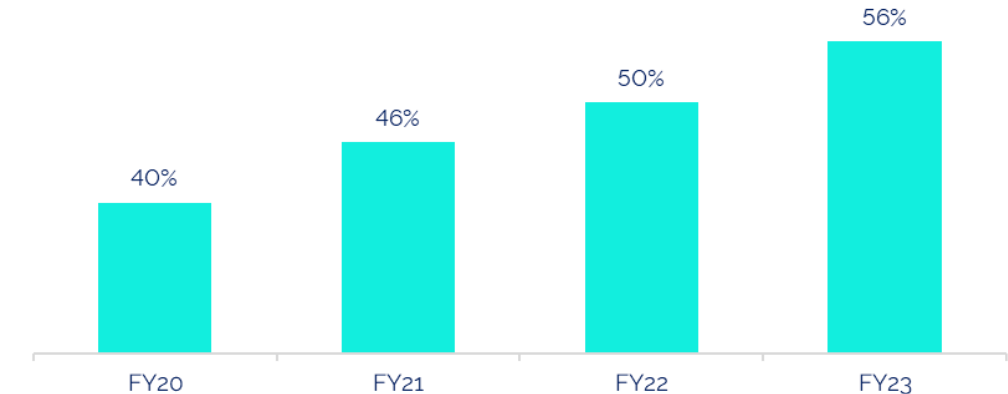
- 55% online NPS; overall Tower 28% (FY22: 20%)
- 12% abandonment rate; reduction from 17% in FY22
- 264k My Tower registrations; increased 32%
- \$6.2m payments made in multi-policy discount customer remediation (as at 31 October 2023 excluding GST)



## NZ DIRECT SALES ONLINE



## NZ SERVICE & CLAIMS TASKS ONLINE

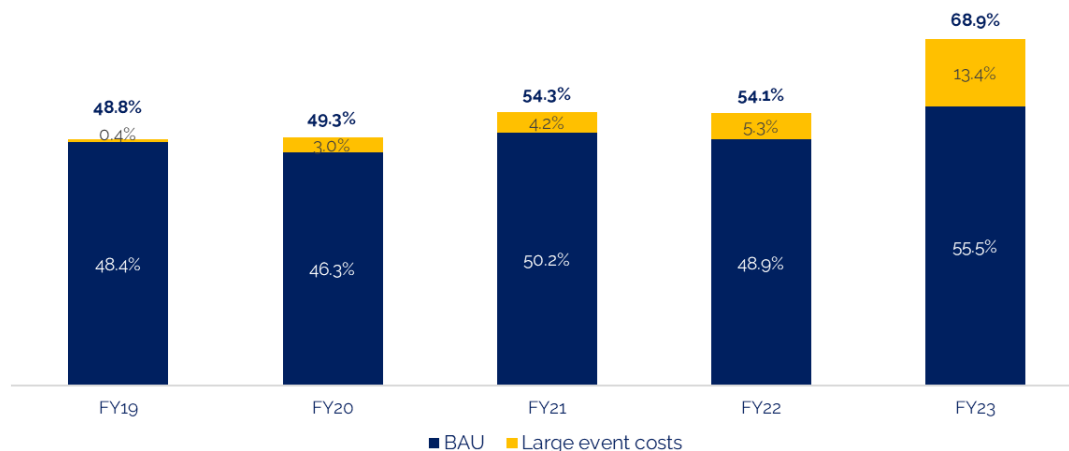




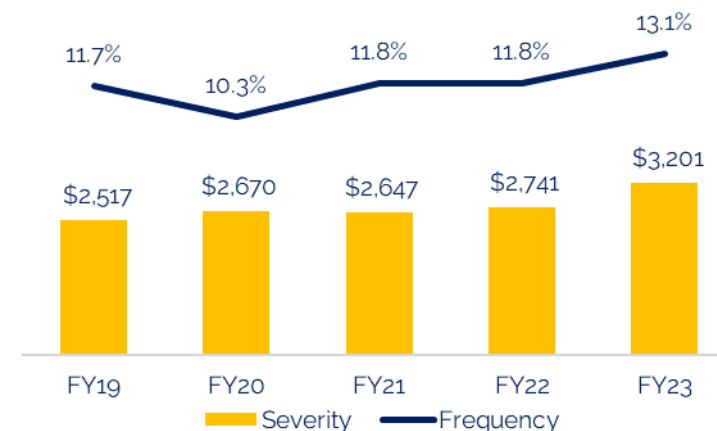
# FY23: BAU claims challenged by motor frequency and inflation

- High inflation period and supply chain capacity constraints impacting cost of claims (severity)
- NZ motor claims frequency above historical norms
- Covid lockdowns lowered motor frequency in previous periods
- Motor theft contributing to higher frequency and severity
- Higher number of small weather events
- Large event costs of \$55.6m include reinsurance reinstatement costs of \$17.4m

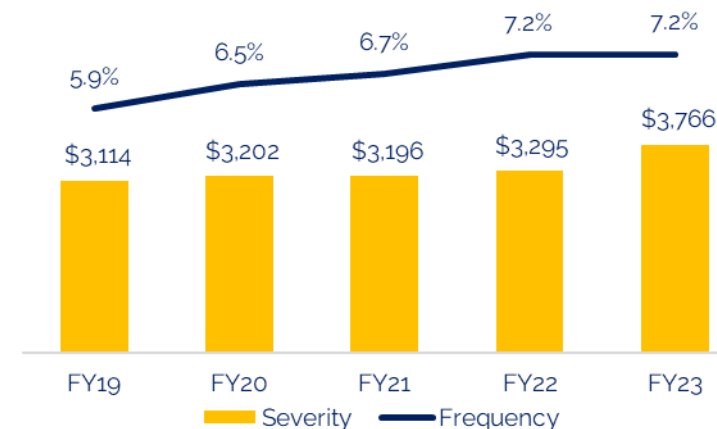
## TOTAL CLAIMS RATIO



## NZ MOTOR SEVERITY<sup>1</sup> & FREQUENCY<sup>2</sup>



## NZ HOUSE SEVERITY & FREQUENCY



Note 1: Severity is defined as the cost of claims (excluding large events, large house, windscreen) divided by the count of claims.

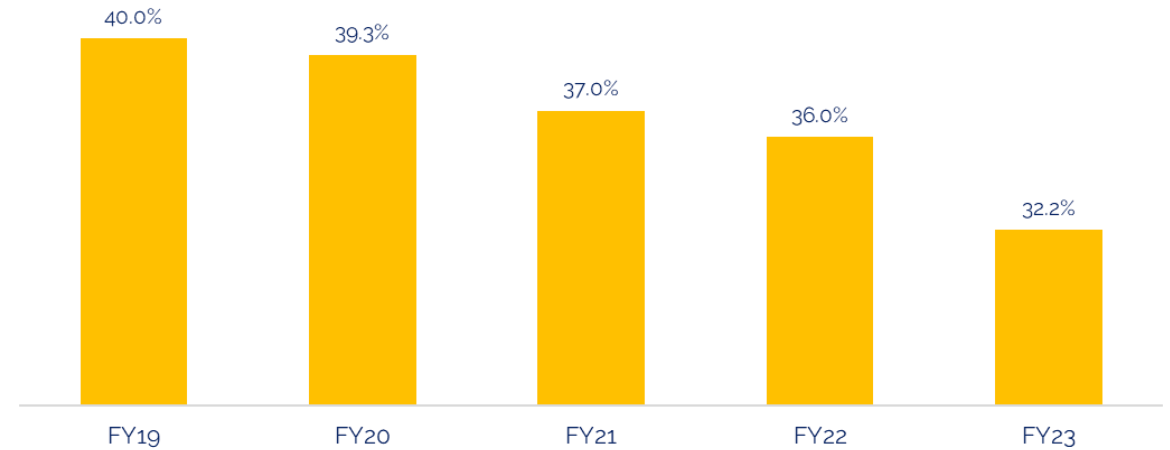
Note 2: Frequency is defined as the number of claims (same exclusions as above) divided by risks in force

The historical severity and frequency numbers are updated to the current estimates as at 30 September 2023 reflecting development of prior year claims in their respective incurred periods

# FY23: Reducing MER through simplification and digitisation

- Scale and efficiencies reduced MER
- Increased digitisation lowered cost to acquire and serve
- Operational efficiency: Suva hub answered 16% of total FY23 calls relating to NZ policies
- Management expense increase below inflation
- Commission ratio at 1.7% from 2.2% in FY22 reflecting legacy portfolio purchases and referral arrangements

MANAGEMENT EXPENSE RATIO (% NEP)



# One year on

- Continuing to support affected customers
- Implementing customer facing sea surge and landslip risk ratings FY24
- Third event catastrophe reinsurance cover up to \$75m in FY24

## Auckland Anniversary

- 5,688 claims
- \$174m gross cost
- \$11.8m net cost to Tower
- 92% claims completed

## Cyclone Gabrielle

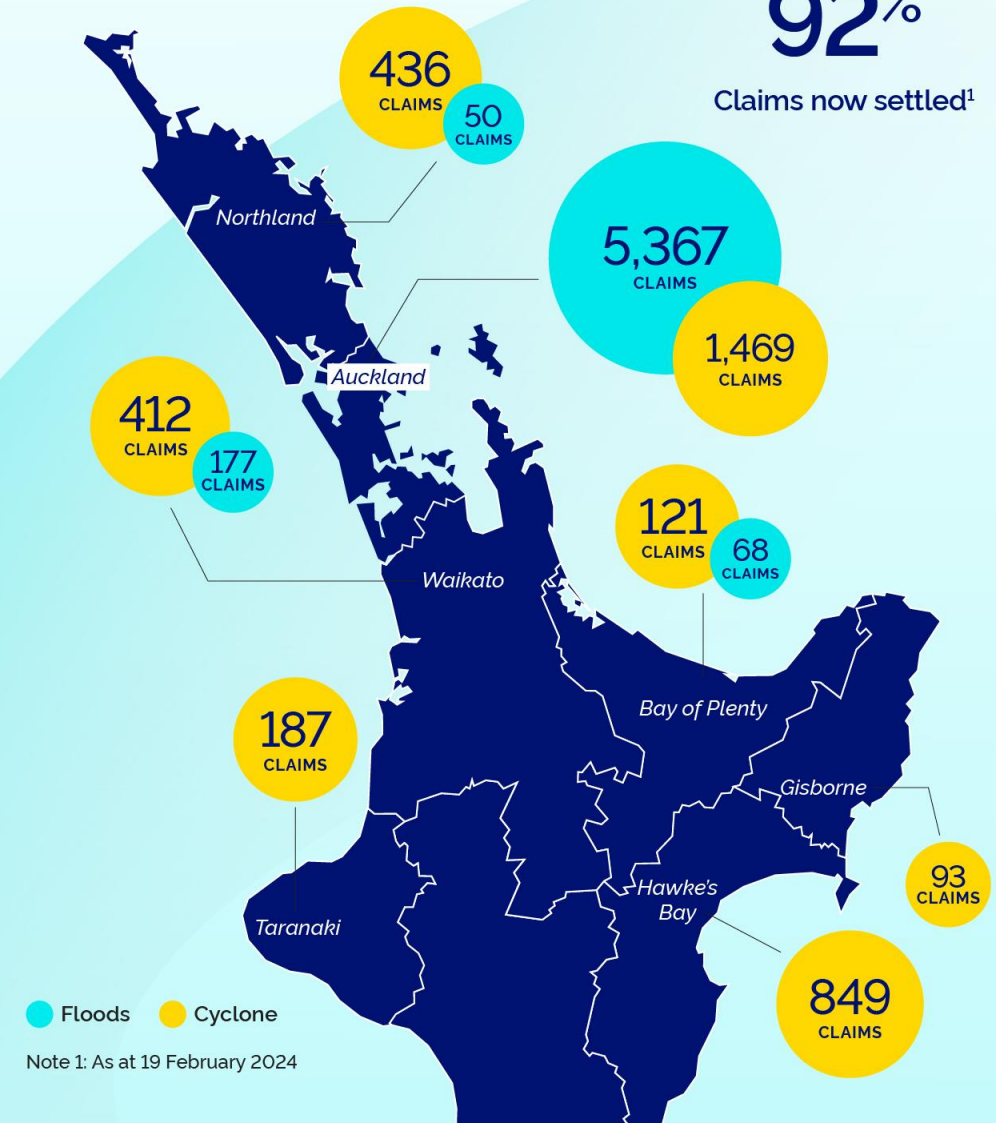
- 3,636 claims
- \$52m gross cost
- \$11.8m net cost to Tower
- 93% claims completed

## Auckland Anniversary weekend floods and Cyclone Gabrielle



92%

Claims now settled<sup>1</sup>





# Four-month trading update

For the four months to January 31, 2024



# FY24 four-month trading update

Strong growth and cost control

## GWP growth

(Gross written premium)

**21% | \$194m**

vs \$161m in Jan 2023

## Customers

**319,000**

vs 315,000 in Jan 2023

## BAU claims ratio

(Business as usual)

**54%**

vs 52% in Jan 2023

## MER

(Management expense ratio)

**31%**

vs 35% in Jan 2023

## Large event costs

(including reinsurance reinstatement)

**\$0m**

vs \$12m in Jan 2023

## Solvency position<sup>1</sup>

(solvency margin as % of target)

**+110%**

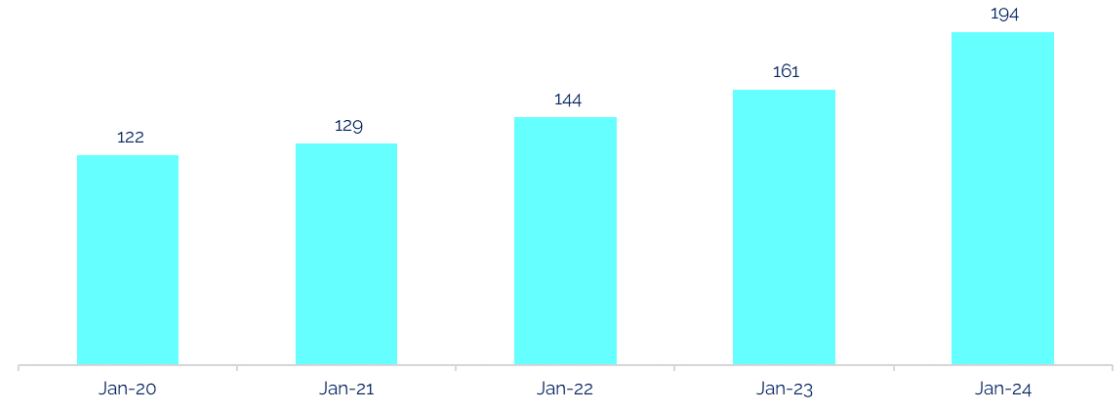
vs 80% as at 30 Sep 2023

Note 1: Solvency is estimated as at 31 January 2024 using a roll forward approach  
Financial information provided on this page is based on Tower's unaudited management accounts as at 31 January 2024

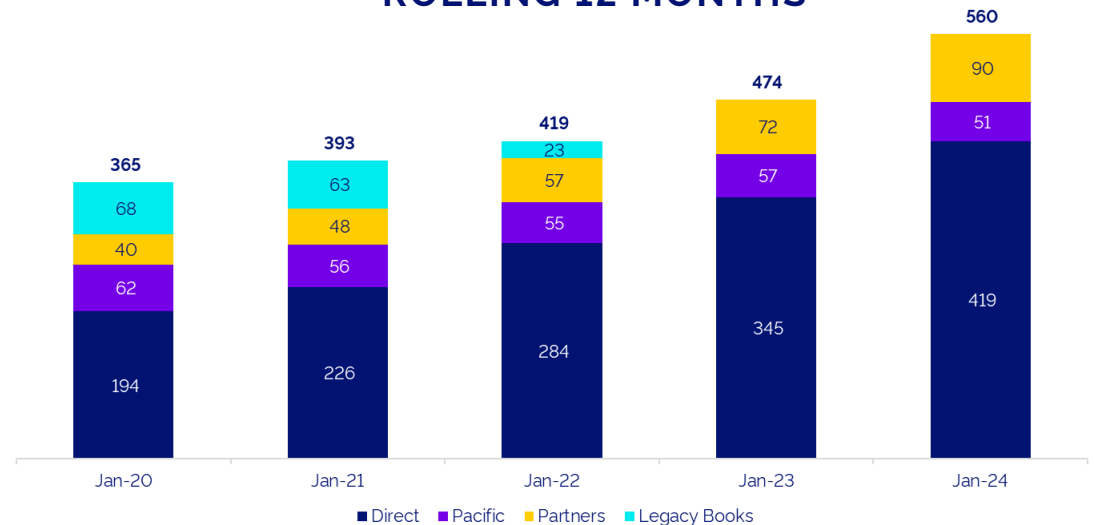
# FY24: Continued strong premium growth

- 21% GWP growth vs same period prior year
- 90:10 split of rate vs volume
- 32% GWP growth in Partnerships channel
- 28% GWP growth in NZ House portfolio
- NZ retention stable at 77% (78% Jan 2023)

GROSS WRITTEN PREMIUM (\$m)



GROSS WRITTEN PREMIUM (\$m)  
ROLLING 12 MONTHS <sup>1</sup>



Note 1: Legacy books include ANZ, Kiwibank, TSB, and Westpac which were purchased and transferred into Tower Direct across the 12 months to Jan-22 and Jan-23. Financial information provided on this page is based on Tower's unaudited management accounts as at 31 January 2024



# FY24: Operational efficiencies reduce MER

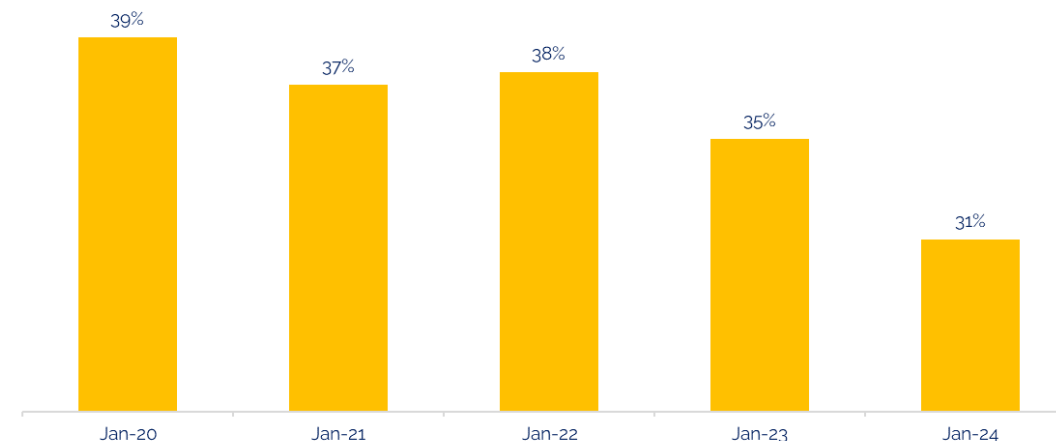
## Operational efficiency

- Digital service transactions at 57%; up from 53% for the same period last year
- Suva hub answering 45% of NZ sales and service calls
- Management expense increase below inflation
- One scalable platform

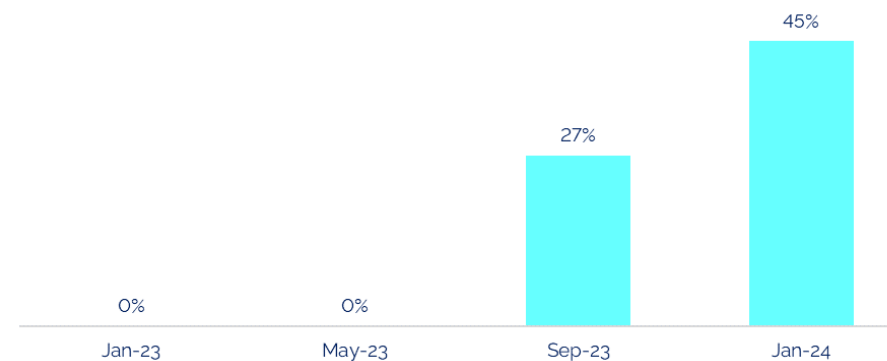
## Streamlining the business

- Sale of Vanuatu, Solomon Islands, Papua New Guinea, and large rural in New Zealand
- Commission ratio at 1.3% down from 1.8% reflecting legacy portfolio purchases and referral arrangements

MANAGEMENT EXPENSE RATIO (% NEP)



SUVA HUB CALL VOLUMES (% OF TOTAL)<sup>1</sup>



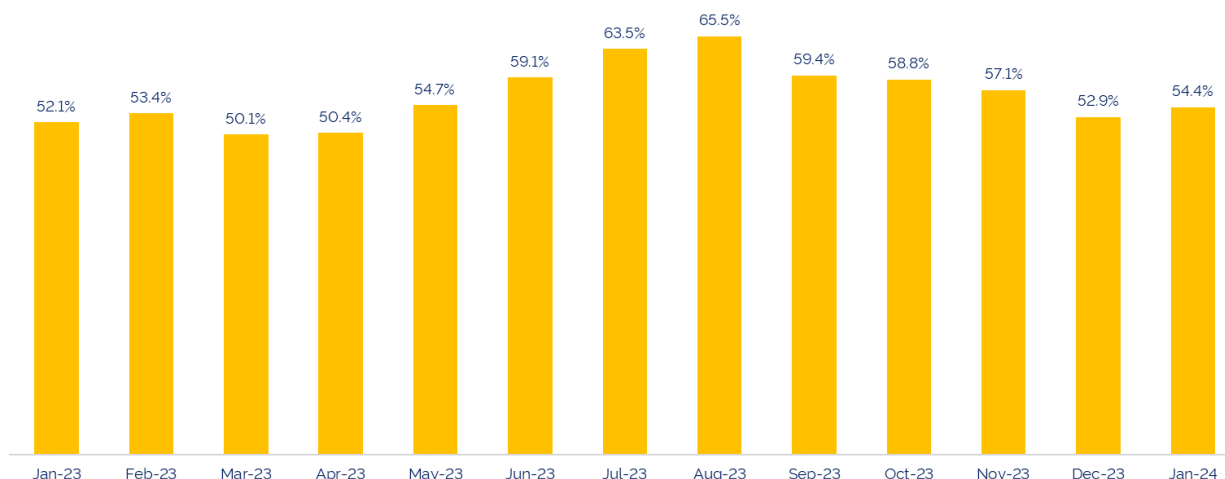
Note 1: Total NZ inbound sales and service calls

Financial information provided on this page is based on Tower's unaudited management accounts as at 31 January 2024

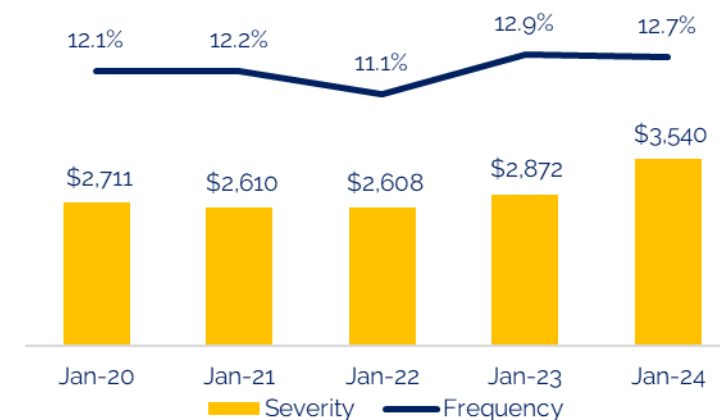
# FY24: BAU claims ratio beginning to reduce

- 54% BAU claims ratio; reduced from peak in FY23 but remains elevated due to large house claims in FY24 (\$8.8m vs \$3.5m)
- Motor frequency stabilising and loss ratio trending downwards
- Inflation experienced during FY23 impacts severity year on year
- Targeted rate increases implemented in FY23 are earning through
- No large events recorded in FY24 to date

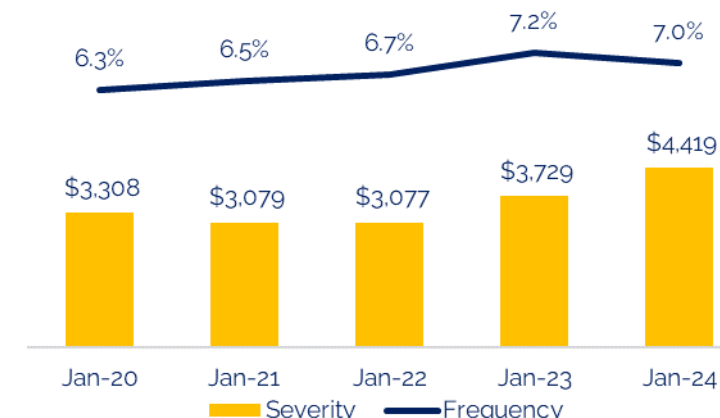
## BAU CLAIMS RATIO (% NEP) – ROLLING 4 MONTHS



## MOTOR SEVERITY<sup>1</sup> AND FREQUENCY<sup>2</sup>



## HOUSE SEVERITY AND FREQUENCY



# Targeted and transparent pricing, underwriting

## Dynamic pricing

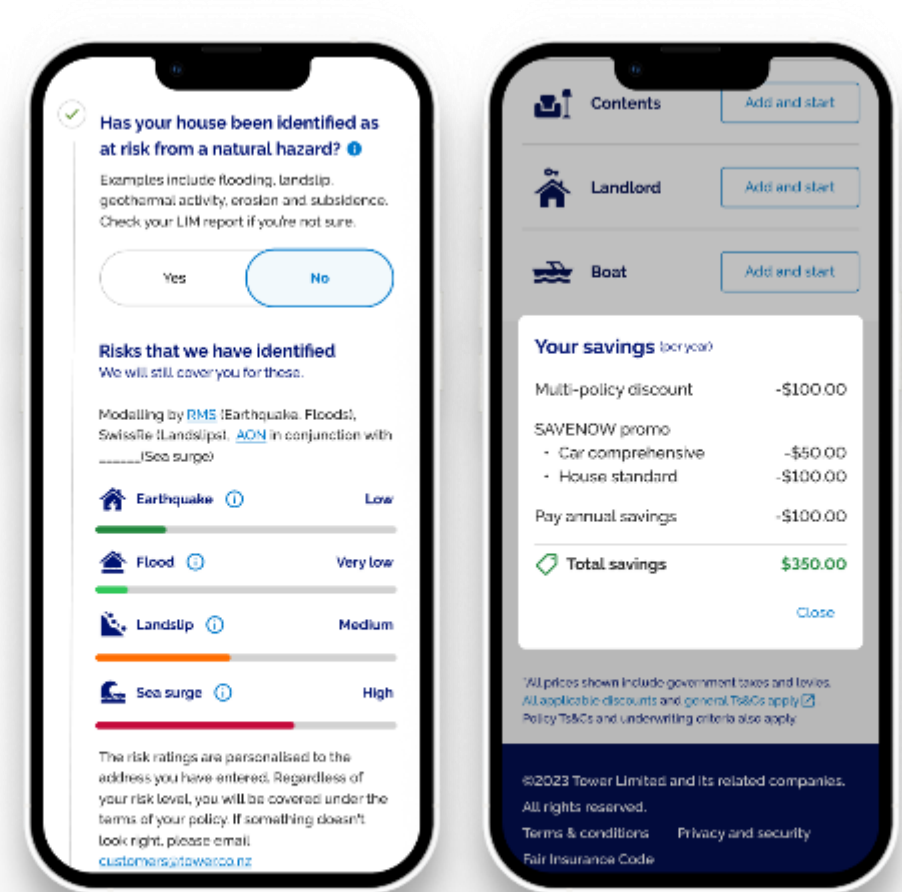
- Enhanced accuracy motor pricing algorithm with use of additional rating variables
- Improved transparency of discounting

## Expanded risk-based pricing

- Earthquake, flood, landslide, sea surge in place
- Landslide and sea surge to be automated in FY24

## Robust underwriting

- Pacific commercial underwriting reviews, tightening risk appetite
- Continuous refinement to reflect new and emerging trends



# Investing in future resilience and sustainability

- Parametric partnership with CelsiusPro, global insurtech
- Parametric product live in Fiji, Samoa, and Tonga
- Investing in our people, and Fiji's future
- Scholarships for future talent in Fiji and New Zealand
- Climate-related financial disclosure in 2024
- Aiming to achieve B Corp accreditation in the coming year





# FY24 guidance and future targets

- FY24 guidance: expected to be at the upper end of, or exceed guidance ranges for GWP & underlying NPAT; at lower end of, or favourable to guidance for combined operating ratio (COR)
- No large events recorded in FY24 to date
- FY25 and FY26 targets introduced; exceeding FY24 guidance will positively flow through to FY25 and FY26 target ranges

	FY23 Actual	FY24 Guidance	FY25 Target	FY26 Target
<b>GWP growth</b> (excluding operations sold)	17%	10% - 15%	10% - 15%	10% - 15%
<b>Large events allowance</b>	\$38m	\$45m	\$50m	\$55m
<b>Management expense ratio</b>	32.2%	30% - 32%	< 28%	< 26%
<b>Combined operating ratio</b>	101%	95% - 97%	< 91%	< 87%
<b>Underlying NPAT</b> (assuming full utilisation of large events allowance)	\$7.6m	\$22m - \$27m	\$40m - \$60m	\$60m - \$80m
<b>Return on equity<sup>1</sup></b>			12% - 15%	> 15%

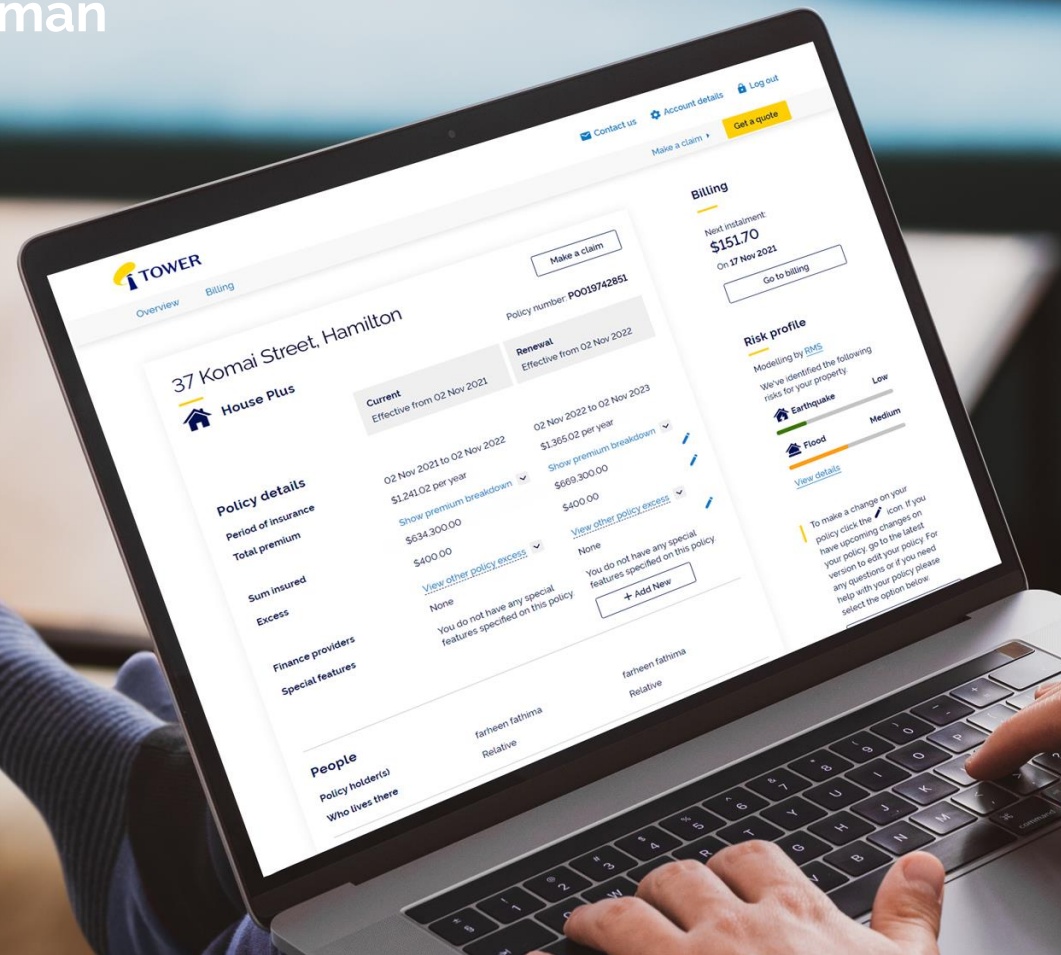
Note 1: Return on equity is defined as reported net profit after tax divided by average closing book equity

# Strategic delivery leads to strong performance

- Continued double-digit premium growth
- Continued reduction in MER
- Claims ratio normalising
- Solvency position above target
- At upper end of or exceeding FY24 guidance

# Shareholder resolutions

Michael Stiasny, Chairman



# Shareholder resolutions

## **Resolution 1**

- Election of Michael Cutter

## **Resolution 2**

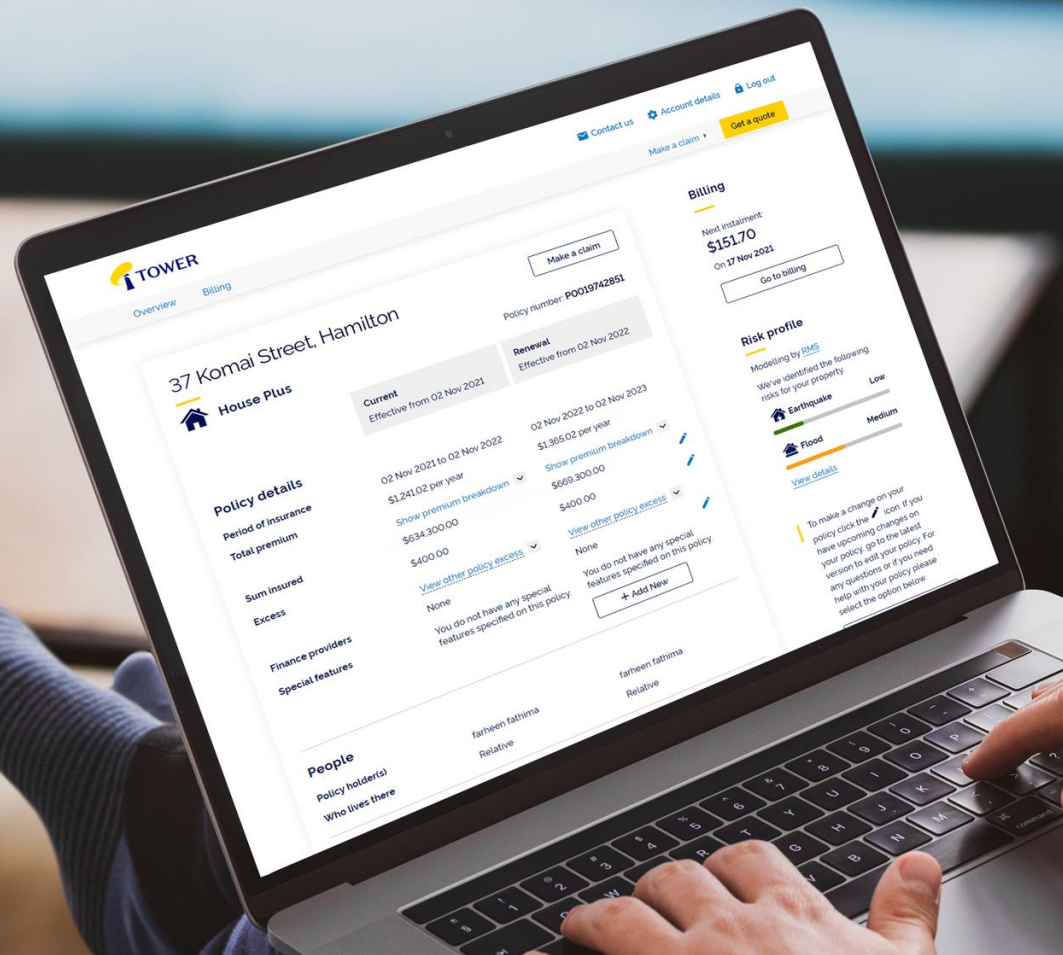
- Authorisation for Board to determine auditor remuneration

## **Resolution 3**

- Adoption of new Company Constitution



# Questions & general business?



# Disclaimer

This presentation has been prepared by Tower Limited to provide shareholders with information on Tower's business. This document is part of, and should be read in conjunction with an oral briefing to be given by Tower. A copy of this webcast of the briefing is available at <http://www.tower.co.nz/investor-centre/>. It contains summary information about Tower as at 30 September 2023 and as at 31 January 2024 which is general in nature, and does not purport to contain all information a prospective investor should consider when evaluating an investment. It is not an offer or invitation to buy Tower shares. Investors must rely on their own enquiries and seek appropriate professional advice in relation to the information and statements in relation to the proposed prospects, business and operations of Tower. The data contained in this document is for illustrative purposes only. Past performance is not a guarantee of future performance and must not be relied on as such. The information in this presentation does not constitute financial advice.

## **Forward looking statements**

This document contains certain forward-looking statements. Such statements relate to events and depend on circumstances that will occur in the future and are subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements, including, among others: the enactment of legislation or regulation that may impose costs or restrict activities; the re-negotiation of contracts; fluctuations in demand and pricing in the industry; fluctuations in exchange controls; changes in government policy and taxation; industrial disputes; and war and terrorism. These forward-looking statements speak only as at the date of this document.

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## **Tower 2024 Annual Shareholder Meeting Script**

21 February, 2024

### **Slide 1 – Cover page – Michael Stiassny**

Mōrena, good morning and thank you for making the time to join us this morning.

My name is Michael Stiassny, Chairman of Tower Limited. As it's now 10.00am, I am pleased to open Tower's Annual Shareholder Meeting.

On behalf of my fellow Directors, welcome to all of you here at Eden Park as well as those who have joined via the Computershare webcast. This is your meeting, and we thank you for taking the time to join us today.

With me in the room this morning are directors Marcus Nagel, Graham Stuart, Geraldine McBride and Mike Cutter.

[PAUSE]

Also joining us in the room today is our Chief Executive Officer, Blair Turnbull and our Chief Financial Officer Paul Johnston. Our Auditors, PricewaterhouseCoopers are also present and are available to answer shareholder questions.

This is a hybrid meeting, so before we start the meeting proper, there are a separate housekeeping matters to cover off. We appreciate your patience.

For those in the room:

- If you have a cell phone, please switch it off.
- If we need to evacuate this room for any reason, the exit is back down the stairs for Gate G that you entered from. To help guide you, there will be a green and white exit sign located above the exit.
- In the event of an emergency, all attendees will be directed by Eden Park staff or security, who are identified either by uniform or name badges. Please listen to their instructions.
- Bathroom facilities are located behind the register desk, back through the door you entered from.
- If you are feeling unwell, please advise one of our Tower staff who will assist you.

For those who are attending the meeting online:

- We ask that you follow the information provided in the Notice of Meeting regarding voting and asking questions.
- Should you require any assistance, you can type your query and one of the Computershare team will assist, or alternatively, you can call Computershare on 0800-650-034 or from overseas +64 9 488 7800.

## **Slide 2 – Questions**

Please note that only shareholders and proxies can ask questions and submit votes.

I encourage all of you attending online to submit questions via Computershare at any time during the meeting. If you have a question, please select the Q&A tab on the right half of your screen. Type your question into the field and press send. Your question will be submitted immediately. Specific questions on any of the resolutions to be considered will be answered as the relevant resolution is put forward, while general questions will be addressed later in the meeting.

Questions may be moderated, or if we receive multiple questions on a topic, they may be amalgamated. However, questions will not be censored, unless they are unseemly or rude.

If we run out of time to answer all questions in the course of this meeting, we will answer them directly via email and post the responses on our website.

To any media present – welcome. Just a reminder that this is a meeting for shareholders, but Blair and I will be happy to talk to you after the meeting.

## **Slide 3 – Voting process**

Voting today will be by way of a poll on all items of business. To provide you with enough time to vote, I will shortly open voting for all resolutions.

At that time, if you are eligible to vote at this meeting, you will be able to cast your vote under the Vote tab. To vote, simply select your voting direction from the options shown on screen. You can vote for all resolutions together, at once, or for individual resolutions. When the tick appears, your vote has been cast. To change your vote after that time, simply select 'Change Your Vote'. You can do this until I declare voting closed. For those in the room if you do not have a voting paper, please indicate now by raising your hand and a member of



Computershare's team will assist you. Voting papers will be collected at the end of the resolution and voting section of the meeting by the Computershare team who will act as scrutineers and the results will be posted to the NZX and ASX exchanges later today.

[PAUSE]

I now declare voting open on all items of business. The resolutions will be open in the vote tab, you may submit your votes at any time, and I will let you know in advance that voting will be closing.

#### **Slide 4 – Agenda**

Here is today's meeting agenda.

We will provide you with an update on last year's performance and our strategy, as well as the progress we've made at Tower in recent months.

Following Blair's presentation, we will move to the formal resolutions set out in the Notice of Meeting.

Let's now move on to the formal part of the meeting.

#### **Apologies**

Are there any apologies?

*(If not:)* Thank you.

*(If yes:)* Thank you, I will ask the Secretary to record those in the minutes.

#### **Quorum**

The Company's constitution requires a quorum of 25 shareholders for this meeting. This requirement has been met and a quorum exists.

#### **Proxies**

In addition to those attending in person today, 410 shareholders, holding a total of 117,477,526 shares, have appointed proxies (including proxies instructed to abstain). The appointed proxies represent 30.93% of valid securities voted.

In my capacity as Chairman of the meeting and in my own name I hold proxies for 322 shareholders, representing 114,582,403 shares, or 30.19% of all shares.

I intend to vote all undirected proxies I have received in favour of resolutions 1, 2 and 3.

### **Annual Report and Notice of Meeting**

The annual report was made available on Tower's website on the 23<sup>rd</sup> of November 2023.

I propose that we take the Annual Report and Notice of Meeting as read.

### **Slide 5 – Chairman's update**

When I discuss Tower's performance with you each year, the substantive focus is often on New Zealand and it can be easy to overlook that we are proudly both a New Zealand and Pacific insurer. It can also be easy to forget that our Pacific business and customer relationships are as deep, long-lived and strongly forged as those here.

Last week marked a significant milestone for Tower. We celebrated 150 years since we first set up shop in Suva with one agent and one customer, just five years after launching in New Zealand. Acknowledging Tower's long, historical association with Fiji, the Honourable Deputy Prime Minister, Professor Biman Prasad officially opened our brand new Suva office, joined by New Zealand's High Commissioner to Fiji and other political and business dignitaries.

Later, there was kava, blessings, toasts and speeches. It was a feel good occasion, but it represented so much more...

[pause]

For me, particularly in these turbulent geopolitical times, it reinforced that Business (with a capital 'B') has a responsibility to every community in which it operates. I was proud to see how successfully Tower continues to meet these obligations to the benefit of our shareholders, our customers, our staff and our two nations.

Today, Tower has a vibrant presence and solid Pacific business headquartered in the Fijian capital, staffed by a talented, local team of more than 250.

As an employer, Tower provides those 250-plus people with a well-paid career path and leadership options, reducing the need for them to head offshore to pursue opportunity. This has proven instrumental in enabling our team to expand their experience, build their skills and contribute to both their families' and the nation's economic prosperity.

The quid pro quo for Tower is an engaged, talented and skilled workforce that is increasingly supporting our New Zealand and other Pacific operations across all core business functions.

As a Pacific insurer, Tower has continued to innovate to meet the specific needs of a region that has traditionally had low rates of insurance penetration while at the same time being prone to catastrophic weather events.

From writing that first policy in 1874, through to launching Fiji's first online insurance service, and delivering our parametric insurance product in partnership with the United Nations, Tower has fundamentally improved insurance accessibility. And, at a time when climate change is threatening communities worldwide, by increasing rates of insurance in the Pacific, those nations will be far less reliant on foreign aid and disaster relief, and can improve their long-term economic resilience.

[pause]

Lest you be concerned that I've gone soft and this is all hearts and flowers, let me be clear ... while Tower is proud to be living up to our obligations, this is also in the best interests of our shareholders.

Accounting for the sales of our Papua New Guinea, Solomon Islands and Vanuatu operations, our remaining Pacific businesses generated \$43m in GWP in FY23. And, with the Suva Hub now in a brand new modern building with the latest technology, the infrastructure required to successfully operate and upgrade My Tower is in place.

These capabilities are key to delivering on the Pacific's GWP growth potential, albeit with a strong focus on robust underwriting practices and prudent risk appetite.

[pause]

#### *Insurance remains critical*

Tower's strong performance in the first four months of FY24, which Blair will take you through shortly, indicates that despite unavoidable increasing premiums, insurance remains critical and valued. However, the need to carefully manage risk, to innovate, and to meet the market is also abundantly clear.

This is where the rubber hits the road in terms of insurance of – and for – the future.

Tower was the first New Zealand insurer to introduce risk-based pricing and continues to expand the risks this covers. Landslide and sea surge risk data at an individual property level have been added and will be automated through our quote to buy tool later this year.

People can expect to see further new and innovative offers from Tower that identify and manage risk in an increasingly granular fashion. We have invested in the technology necessary to be nimble. We know that agility will be essential to respond to the increasing number and severity of weather events, and emerging global trends.

[pause]

#### *Tower is well positioned*

We have had a particularly strong first four-month trading period, with full year underlying net profit after tax now expected to be at the upper end of, or exceed, the previously advised range of between \$22m and \$27m.

This has been achieved through a sharp focus on targeted, sustainable growth via underwriting discipline and rating actions, and delivering further business efficiencies.

Importantly, we also have an untouched \$45 million large events allowance which is considerably more than we had last year. Nature willing, we are hopefully well covered for the remaining eight months and with upside still to be had.

By all metrics, the business is in good shape, and our solvency position is above target thanks to improved profitability and the comparatively swift resolution of catastrophe event claims.

All of which, in my view, clearly indicates that Tower's share price remains far too low and is not reflective of the business's true value.

As always, final decisions on dividends occur when results are approved, in accordance with Tower's ordinary dividend policy. We look forward to reporting our half year results in May and giving consideration to re-establishing dividend payments if it is prudent to do so.

[pause]

#### *Strategic review progressing*



Late last year, Tower announced that it was undertaking a strategic review. The purpose is to explore options to maximise value for all Tower shareholders and optimise our capital structure to provide the strongest possible platform to support our competitiveness in the market.

The review is progressing well, and a range of options are being considered. However, no decisions have yet been made and naturally, we will update the market at the appropriate time.

In the meantime, it is business as usual with the Tower executive fully focused on strategy and business delivery.

[pause]

Every day Tower's team strives to grow this business and assist our customers. Over the past calendar year there have been many challenges to overcome, particularly in the wake of the tragic cyclone and flooding events.

While no business always gets things right, there are thousands of customers who are now in repaired homes, with possessions and cars replaced, thanks to having insurance with Tower.

The team worked tirelessly to do its best and on behalf of my fellow directors, I thank them for their efforts.

I'll now hand over to Blair, who will take you through the FY23 results, four-month trading update, and longer term outlook before we take questions.

#### **Slide 6 – CEO's address title slide – Blair Turnbull**

Tēnā koutou katoa and thank you Michael.

A warm welcome to everyone joining us today. I am pleased to share with you our full year 2023 results as well as a performance update for the first four months of the 2024 financial year. I would also like to take this opportunity to give you an overview of Tower's plans to continue growing and innovating in the future.

#### **Slide 7 - Tower's journey**

To start, a brief overview of Tower's journey in recent years.

We have come a long way from our ambition of simplifying our business; by first reducing our New Zealand product set from more than 400 product variations down to just 14 core products.

Following the process of transformation and re-platforming and the important job of resolving legacy issues, Tower has focused on streamlining and scaling the business via bank closed book acquisitions and continuing to decommission legacy platforms.

Adapting to the effects of climate change while continuing to innovate has been a priority as we continued to navigate the increasing frequency and severity of large events and managing an unprecedented three catastrophe events in 2023.

Our continued resilience and strengthening of the Tower business remains a priority, in particular, completing the transformation of our claims experience by the end of 2024. This will include a fully digital end-to-end process with the majority of claims processed and settled in a matter of days. A dedicated Large Events team which can scale up quickly, including a specialist assessment team with leading tools is also being established.

In recent years we have streamlined our business via strategic divestments of non-core portfolios such as the recent sale of our commercial agri book to Aon, sales of the Papua New Guinea and Solomon Islands operations, the conditional sale of our Vanuatu operation, and the acquisition of National Pacific Insurance minority interests. We are now well positioned to grow in our chosen markets enabled through our leading cloud-based platform and investment in operational centres including the new Suva Hub.

Tower's journey of focus and streamlining our business is entering an exciting new phase - one that is ultimately aimed at Tower becoming the best direct, personal lines insurer in New Zealand and the Pacific. Our objective is to deliver a leading end to end customer experience, enabled by being a lean business that has simplified, digital-first processes and talented people and capabilities.

### **Slide 8 – Our Strategy**

In FY23 we took the opportunity to review and confirm our strategy and focus on these four key areas, outlined on the slide. Our focused outcomes will help lead to the new medium term financial targets that I will talk through along with our guidance.

### **Slide 9 – FY23 performance**

And now to recap on our FY23 financial year ending 30 September 2023 which was impacted by the catastrophic events in New Zealand and Vanuatu.

Gross written premium for the year to 30 September increased to \$527 million, up 17% on the same period last year.

Customer numbers increased to 321,000, up from 310,000 in FY22.

Increasing inflation and a higher frequency of motor claims contributed to an increase in the BAU claims ratio to 55.5% compared to 48.9% in FY22. Throughout the year Tower continued to apply targeted rating and underwriting actions to address these challenges.

We were pleased to see our management expense ratio improve further to 32.2% versus 36% in FY22, thanks to our disciplined cost control and improved efficiencies through digitisation and increasing scale.

Large event costs totalled \$55.6m, up from \$19m in FY22. These costs included the additional reinsurance cover purchased to reinstate our reinsurance arrangements following the two New Zealand catastrophe events earlier in the financial year.

Given these large events costs, the solvency ratio decreased to 159% from 205% in FY22.

Despite these challenges, we reported an underlying profit after tax of \$7.6 million, down from \$27.3m in the full year 2022.

Reported FY23 loss was \$1.2m compared to an \$18.9m profit in FY22.

### **Slide 10 – FY23: Targeted customer and premium growth**

Tower's focus on simple and rewarding customer experiences combined with consistent rating actions continued to drive strong growth, in both customers and premium throughout FY23.

As you can see in this chart, we grew steadily in our core home, contents and motor product offerings with GWP reaching \$527m year on year.

Our Partnerships channel delivered positive growth with GWP from active partners in New Zealand increasing by 26% to \$82m in the year.

As a customer focused business, we work hard to ensure our prices are competitive.

In the context of the high inflation environment, our 17% growth in premium reflected an appropriate mix of rating and organic growth as we also worked to mitigate the challenges of inflation, rising claims costs and increasing reinsurance costs following the catastrophic events.

We continued to drive customer engagement in the year, with our retention rate for New Zealand remaining stable at 77%. Half of our customers hold multiple policies with us and these customers stay with us for an average of eight years.

#### **Slide 11 – FY23: Customer experience improves through digital and data**

Our digital platform is improving the overall Tower experience for our customers as they increasingly adopt our online sales and service channels.

In FY23 77% of New Zealand Direct sales occurred online, up from 66% in the prior year, while 56% of New Zealand service and claims tasks were completed online, up from 50% in FY22.

Customer satisfaction for these online engagements remained strong - our combined New Zealand net promoter score for online experiences was steady at 55%.

With our core platform now live across the Tower group we can flex resource up or down across Fiji and New Zealand, our two biggest markets.

Following post-covid resourcing difficulties in FY22, which led to customer service challenges, we scaled up our operations, particularly through our Suva hub. This helped our call abandonment rate improve to 12%, down from 17% in FY22.

We were pleased to see My Tower registrations continue to rise, increasing by 32% in the year to 264,000 registrations. We look forward to this number climbing further now that My Tower is live in all the markets where we operate.

An important part of delivering the leading customer experience we aspire to is fronting up and fixing things when we don't get them right.

We have made substantial progress in refunding customers who did not receive their correct multi policy discounts extending back to 2016. As of 31 October we had paid \$6.2m excluding GST to these customers. We sincerely apologise to customers who have been impacted.



In addition to reviewing our processes, we are also redesigning and simplifying our multi-policy discount offering.

**Slide 12 – FY23: BAU claims challenged by motor frequency and inflation**

We have taken strong rating actions over the past years to combat rapidly increasing inflationary pressures.

However, in FY23 BAU claims costs continued to be challenged by the increasing frequency of motor claims as well as inflation and supply chain capacity constraints which impacted the severity, or cost of claims.

In the year, these continued to track above historical norms in New Zealand, following a more subdued period due to Covid lockdowns.

Motor crimes tend to result in the total loss of a vehicle, so the trend of increasing motor theft contributed to both higher frequency and severity. Average New Zealand motor claims costs rose to \$3,201 in FY23.

While house claims frequency in New Zealand was flat at 7.2%, the average severity increased to \$3,766.

These factors led to our BAU loss ratio increasing to 55.5%. The large events experienced in FY23 contributed an additional 13.4% to a total claims ratio of 68.9%.

Tower applied targeted premium increases across motor and home to offset inflation and other increases. We also continue to work closely with supply chain partners while focusing on internal efficiencies to moderate the impact on customers as much as possible.

**Slide 13 – FY23: Reducing MER through simplification and digitisation**

Our investments in simplifying and digitising our business continued to deliver management expense ratio (MER) improvements in FY23. And in the context of the external challenges we were managing, we were particularly pleased to have achieved yet another reduction in MER to 32.2% in the year.

Contributing to this MER improvement is our increasing scale. With our core platform now across all countries, a key driver of MER improvement was our increased digitisation which continued to lower the cost to acquire and serve customers.

The expansion of our Suva hub in the year also delivered operational efficiencies as we moved workflows between sites to manage workload peaks. In the year our Suva team answered 16% of all New Zealand calls to Tower, and we are already seeing this percentage increase further.

Pleasingly these efficiencies also saw our management expenses increase at below the rate of inflation.

Our commission ratio continued to improve in FY23, reducing to 1.7% in the year from 2.2% in FY22 thanks to legacy portfolio purchases and commission terms focused on referral arrangements.

#### **Slide 14 – One year on**

The Auckland Anniversary weekend flooding, closely followed by Cyclone Gabrielle, were the most impactful events in a generation.

The impact on our customers was significant with more than 9,400 claims received by Tower. As of 19 February, we had settled 92% of claims for these events.

For the most part, the remaining customer claims are the most complex – some have an Earthquake Commission (EQC) element, while others may also be impacted by various Council buy-out schemes. We continue to work diligently to settle these as quickly as possible.

We are continuing to innovate and improve our processes, through our digital offering, our claims transformation programme and looking at how we structure insurance in the future.

It is critical that insurance remains affordable and accessible. To protect Kiwis now and in the future, as a country we must develop longer term plans to address infrastructure gaps and reduce the risks of climate change. That starts with more collaboration between business, central government, and councils to share data and ideas to accelerate this.

Other tools like Tower's risk-based pricing model and risk ratings for flood and earthquake help to inform our communities so they're more aware of the risks they and their homes face. We will add sea surge and landslip risks to the customer tool in FY24.

We are also building our future resilience through our strong relationships with reinsurers. Tower attracted a lot of interest and support from global reinsurers last year, who like our

story of growth, strong risk selection and direct customer engagement. In addition to having cover for two catastrophe events up to \$750m, we now also have cover for a third event up to \$75m.

Overall, the events of 2023 are a reminder of the importance insurance plays in our economic, community and personal resilience. I'm incredibly proud of the effort our teams put in over the past year. We're continuing to work as hard as possible to help our customers and communities recover.

#### **Slide 16 – FY24 four month trading update**

Turning now to our trading results for the first four months of our 2024 financial year which feature strong growth and cost control.

I will provide more detail on these results as I talk through the following slides.

The financial information provided in this update is based on Tower's unaudited management accounts as at the 31<sup>st</sup> of January, 2024.

#### **Slide 17 – FY24: continued strong premium growth**

We have had a very positive start to the financial year, with continued premium growth.

In the first four months we achieved \$194million of gross written premium (GWP), representing growth of 21% on the same period last year. This has predominantly been driven by rating adjustments to offset inflation, and increasing reinsurance and claims costs, along with good organic growth.

This was helped by Tower's Partnerships business which saw GWP increase by 32%. Our focus on the New Zealand home insurance market has also resulted in GWP from the home portfolio increasing by 28%.

New Zealand retention remains stable at 77% compared to 78% in the prior period.

#### **Slide 18 – FY24: Operational efficiencies reduce MER**

We are focused on driving operational efficiencies which ultimately helps us to manage premiums for customers as well as deliver to shareholders.

As I mentioned before we were pleased to further reduce our management expenses in FY23, and we continued this trend in the first four months of this year. Our management expense ratio was 31%, compared to 35% in the first four months of FY23.

Tower's digital offering continues to deliver efficiency benefits with the core digital platform now handling 57% of all sales, service and retention transactions, up from 53% year on year. In the period Tower's Suva hub answered 45% of inbound sales and service calls relating to New Zealand policies. The Suva hub is enhancing both our customer experience and efficiency through improved call times.

Increases in our management expenses continue to track below the rate of inflation.

Tower continues to streamline the business as we focus on our core strategy of offering direct personal and small business lines insurance in New Zealand and the Pacific.

In January we announced the sale of our Vanuatu subsidiary, following the earlier sales of the Solomon Islands and Papua New Guinea subsidiaries. In February we completed a referral arrangement with Aon for our commercial rural book, which brings us a step closer to decommissioning the last of our legacy technology systems.

Commission expense ratio continues to trend down due to the legacy portfolio purchases and modernised referral arrangements.

#### **Slide 19 – FY23: BAU claims ratio beginning to reduce**

The BAU claims ratio has increased year on year to 54%, up from 52%. However, the targeted rating increases for higher risk assets implemented in the past 12 months across the motor and home portfolios are taking effect: The BAU claims ratio has dropped substantially from 59% in the four months ending 30 September 2023.

We have seen an elevation of large house claims in the first four months of FY24 which we will monitor closely for any emerging trends.

The higher frequency of motor claims which challenged insurers in the past year has settled with the motor loss ratio now trending downwards.

No large events were recorded in the period.

#### **Slide 20 – Targeted and transparent pricing, underwriting**

### *Dynamic pricing*

Our dynamic rating capability, which is thanks to our investments in digital and data technology, means we are continuously monitoring and adjusting our rating to remain competitive and to respond to macroeconomic conditions. Accordingly, as inflation settles, we expect overall premium increases to level off near the second half of the year. Noting of course that our approach to risk-based pricing means that pricing for individual customers will always reflect their individual risks.

We are continually looking for opportunities to improve the accuracy of our pricing. In the past year we enhanced our motor pricing algorithm with additional rating variables to ensure our customers receive more accurate pricing for their particular vehicle.

In line with our commitment to transparency we are improving how we explain the discounts we offer to customers. On the slide you can see a screenshot of what customers will see when this feature is launched.

### *Expanded risk-based pricing*

Throughout FY23, we continued to improve and refine our risk-based pricing to ensure we further protect the business from the volatility of weather events. We quickly implemented heightened risk selection criteria for landslide risks in early 2023 and also increased the weighting we put on the flood risk portion of customer premiums to ensure our pricing accurately reflects the changing risk profile.

We now have risk-based pricing in place for earthquake, flood, landslide and sea surge risks across New Zealand.

We are working to present hazard ratings for landslide and sea surge risks to customers through our automated quote to buy tool in FY24.

### *Robust underwriting*

We continue to review our underwriting criteria to align with our strategy and in response to new and emerging trends.

In the past year we have tightened our risk appetite in the Pacific and reviewed our commercial risks to ensure we write the right risks at the right price.



## **Slide 21 - Investing in future resilience and sustainability**

We will continue to invest in our future resilience and sustainability.

We are scaling our parametric insurance offering by partnering with global insurtech, CelsiusPro and the United Nations to expand our pilot beyond Fiji to Tonga. We are now live with parametric insurance in Fiji, Samoa and Tonga and plan to offer parametric insurance across five Pacific territories by FY25.

We are excited by the possibilities parametric insurance provides for people who may not benefit from traditional insurance products.

As Michael noted, this year we are celebrating our 150-year anniversary in Fiji, which commenced last week with an event held at our new hub in Suva which we call, Vale ni Cina which translates to 'beacon' or 'lighthouse'. The premises were officially opened by Fiji's Deputy Prime Minister and Minister for Finance, the Hon Professor Biman Prasad, who you can see here in the photo alongside Michael and Graham. Fijian government officials and our many stakeholders in the country are very positive about Tower's historical role and vital contribution to Fiji's economy.

New Zealand and Fiji are our two biggest markets. For Tower, our Suva hub is a crucial part of our overall business strategy, with our BAU operations now able to operate seamlessly across both countries, as well as the wider Tower group.

I'm proud to say that 100% of our more than 250 employees in Fiji are locals. We are committed to continuing to invest in our people and therefore Fiji's future.

What better way to invest in our collective resilience than investing in our young people. Tower is planning a scholarship programme in conjunction with the University of the South Pacific offering scholarships to students in Fiji who are studying topics that contribute to lifting Fiji's financial capability and resilience to climate change towards a more equitable and sustainable future. In New Zealand we fund scholarships for students of Waikato University's Bachelor of Climate Change Studies.

Our first Climate-related Financial Disclosure is required for the 2024 financial year. We look forward to sharing more information with you then about how we are preparing for a range of possible futures shaped by climate change.

We know that sustainability issues are important to our people and customers. Our consumer research shows that for almost half (47%) of people, a commitment to sustainability and climate action matters when choosing an insurance company.

With this in mind, Tower is aiming to achieve B Corp accreditation in the coming year. B Corp is a globally recognised sustainability benchmark which measures a company's entire social and environmental impact.

### **Slide 22 - FY24 guidance and future targets**

In FY24 Tower expects GWP growth - excluding revenue from sales of subsidiary operations – to be at the upper end of, or exceed, our guidance range of between 10% and 15%.

We have set a conservative large events allowance of \$45m for FY24 which currently remains unused as no large events have been recorded in the financial year to date.

Consistent with FY23, we will measure large events as those which have a net cost to Tower of more than \$2m.

Assuming full utilisation of the large events allowance Tower anticipates underlying NPAT to be at the upper end of, or exceed, the guidance of between \$22m and \$27m.

We expect further improvements to our management expense ratio which we anticipate will be between 30% and 32% in FY24. As the rating and other actions that we have in place to address inflation begin to improve our BAU loss ratio, we expect combined operating ratio (COR) to be at the bottom end of, or favourable to, current guidance of between 95% and 97%.

You'll note we are now sharing new, medium-term targets for FY25 and FY26, including new underlying NPAT targets. These targets reflect our expectations for future growth and improved efficiencies, and ultimately attractive shareholder earnings.

It's worth noting that should we exceed FY24 guidance in line with current expectations, this will positively flow through to the FY25 and FY26 target ranges.

### **Slide 23 – Strategic delivery leads to strong performance**

In summary, Tower is delivering on our strategy.

We are continuing to deliver double digit premium growth while reducing our management expense ratio.

The claims ratio is normalising after a period of heightened inflation and catastrophic events.

Our solvency position has improved and is estimated to be above our internal solvency target.

And in FY24 we expect profits at the top end of or to exceed our guidance range.

I will now hand back over to the Chair.

#### **Slide 24 - Shareholder Resolutions – Michael Stiassny**

Thank you, Blair.

I now propose that we move to the next item of business, which is the shareholder resolutions before the meeting. Resolutions 1 and 2 are ordinary resolutions, each passed by a simple majority of votes of those shareholders entitled to vote and voting on the relevant resolution. Resolution 3 is a special resolution. In order for a special resolution to be passed it must be approved by a majority of 75% of the votes of those shareholders entitled to vote and voting on the resolution.

As noted earlier, voting has already opened online and will close shortly after discussions on the resolutions are completed so that everyone has the opportunity to cast their votes.

I'd like to acknowledge that we received proxy votes from two shareholders after the closing date for proxy votes. While we are unfortunately unable to count these votes towards today's poll result, we do not believe this will change the outcome of the resolutions, based on votes cast and proxies received prior to the cut off.

#### **Slide 25 – Shareholder resolutions**

**Resolution 1** - Election of Michael Cutter as Director of Tower Limited.

Mike Cutter was appointed by the Board in November 2023 to fill a casual vacancy. As required by Tower's constitution, Mike now retires, and being eligible, offers himself for re-election. I now invite Mike to address this meeting on his proposed election.

[MIKE CUTTER ADDRESS]

Thank you, Mike. I will now move that Michael Cutter be elected as a director of Tower Limited.

Are there any questions?

*[FOLLOWING ANY QUESTIONS]*

**Resolution 2** - Authorisation to fix remuneration of auditor

The Companies Act provides that a company's auditor is automatically re-appointed unless there is a resolution or other reason for the auditor not to be re-appointed. The Company wishes PricewaterhouseCoopers to continue as the company's auditor and PricewaterhouseCoopers has indicated its willingness to do so.

The Companies Act provides that the fees and expenses of the auditors are to be fixed by the Company, or in the manner that the company determines at the Annual Meeting. The Board proposes that, consistent with past practice, the auditor's fees be fixed by the Board.

I therefore:

- Record that the auditors, PricewaterhouseCoopers, are automatically re-appointed as auditors of the company; and
- Move that the Board be authorised to determine the auditor's fees and expenses for the 2024 financial year.

In line with NZX Listing Rules and international best practice our new Lead Audit Partner, Lisa Crooke replaces Karen Shires following her five-year term. We have noted Audit Firm tenure and Lead Audit Partner rotation information in the Corporate Governance Statement on our website.

Are there any questions?

*[FOLLOWING ANY QUESTIONS]*

**Resolution 3:** Adoption of new constitution of the Company

Tower proposes to adopt a new Constitution which reflects the latest version of the NZX Listing Rules. Tower is also taking this opportunity to update references to relevant legislation, modernise outdated provisions, remove unnecessary repetitions of the Companies Act 1993 and NZX Listing Rules as well as to remove redundant provisions. If this

resolution is not passed, the Constitution will not reflect the Latest Listing Rules and current legislation.

If approved by Shareholders, the amendments will take effect from today.

A summary of the key changes to the substance of the current Constitution was set out in the Notice of Meeting and copies of the current Constitution, a mark-up showing all changes to the current Constitution, and a clean version of the proposed new Constitution were and still are available to be viewed on Tower's website: [www.tower.co.nz](http://www.tower.co.nz).

I will now move that the proposed new Constitution be adopted by Tower Limited.

Are there any questions?

*[FOLLOWING ANY QUESTIONS]*

That concludes our discussion on the items of business.

So, if you haven't already done so, please cast your votes now. Voting will close in approximately two minutes. The votes will then be counted under the scrutiny of Computershare who will now begin collecting the voting papers from within the room.

We will now pause for a moment to ensure that all questions relating to the resolutions have been received.

*[PAUSE]*

Right, let's move on. The final item on our agenda is Questions and General Business:

#### **Slide 26 – Questions & General Business**

Are there any matters of General Business? Or any questions?

*[FOLLOWING ANY QUESTIONS]*

In a minute, I will close voting. This is your final chance to ensure that you have cast your vote on all resolutions. I will now pause to allow you time to finalise those votes.

*[PAUSE for 60 seconds]*

Voting is now closed.

The results of these polls will be released to the stock exchanges later today.



Ladies and gentlemen that concludes our meeting and it remains for me to thank you for your participation in today's meeting.

I declare the meeting closed. I now invite those of you in the room to join the board and executive team for refreshments in the area to your left. Thank you.