

11 February 2025

**Tower Limited Annual Shareholder Meeting Materials**

Attached are:

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

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

**ENDS**

This announcement has been authorised by Michael Stiassny, Chair

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**11 February, 2025**

### **Tower reports positive Q1 trading performance prior to ASM**

Kiwi and Pacific insurer, Tower Limited (NZX/ASX: TWR) is reporting strong business performance prior to its annual shareholder meeting today, following an update on its 2025 financial year earnings guidance last week.

Tower CEO, Blair Turnbull says, "The first quarter trading performance reflects year-on-year improvements in both business-as-usual (BAU) claims and management expense ratios, and continued GWP growth.

"This positive business performance is supported by our strategy of selecting the right risks for the right price and achieving sustainable growth and efficiencies through the use of digital technology and data," he says.

The BAU claims ratio has decreased substantially to 39%, down from 57% for the same period last year. This improvement is due to a combination of continued benign weather, easing inflation, a lower number of total loss house claims and enhanced risk selection.

The management expense ratio (MER) has continued to improve, reducing to 30% in the quarter from 32% in the prior comparable period. This improvement was driven by gross written premium (GWP) growth, operational efficiencies, and disciplined cost control.

GWP rose by 6%<sup>1</sup> to \$155m compared to the same period last year. Average premiums have reduced year on year due to lower inflation and volume growth in lower risk assets. Ninety-two per cent of new house insurance policies in the year were rated by Tower as low or very low for flood risk, up from 87% in the prior year.

Tower's New Zealand business grew by 8,000 policies, predominantly in the house and contents markets, and overall customer numbers increased from 305,000 to 310,000 from 30 September, 2024.

So far in FY25, Tower has recorded one large event - the Dunedin flooding event in October, with an estimated cost of around \$3m. Tower's large events allowance for FY25 is \$50m.

Tower has now closed more than 99% of both the Auckland Anniversary and Cyclone Gabrielle FY23 catastrophe event claims.

Mr Turnbull says the performance demonstrates the strength of Tower's strategy to become the leading direct insurer in New Zealand and our Pacific markets, fostering a high-performance culture and focusing on innovation in digital technology.

"I believe Tower is a fantastic company that is well-positioned to continue delivering sustainable customer and premium growth, improved efficiencies, and attractive

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<sup>1</sup> GWP growth has been adjusted to exclude sold portfolios which include the Solomon Islands business, the Vanuatu subsidiary and the New Zealand commercial rural portfolio.



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shareholder earnings. I am pleased to be leaving Tower in the hands of our strong and focused management team," says Mr Turnbull.

### **FY25 Guidance**

On 5 February Tower advised the market that it expects FY25 full year underlying NPAT to be between \$60m and \$70m. This assumes full utilisation of the \$50m large events allowance, of which \$3m has been used. Tower also expects GWP to be between 7% and 12%, and the combined operating ratio (COR) to be between 84% and 86%.

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

### **Ends**

This announcement has been authorised by Tower Limited Board Chair, Michael Stiasny.

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## **Tower 2025 Annual Shareholder Meeting Address**

11 February, 2025

### **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. We appreciate you 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, on his second to last day in the job is our Chief Executive Officer, Blair Turnbull. And, our Chief Financial Officer, Paul Johnston, who will take over as interim CEO on Thursday, and our Deputy CFO, soon to be interim CFO, Angus Shelton.

Our Auditors, PWC are also present and are available to answer shareholder questions.

Before we start the meeting proper, there are a few 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, please follow instructions from Eden Park staff or security.
- 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 using the numbers on this slide.

## **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 during this meeting, we will answer them directly via email and post the responses on our website.

When asking a question in the room, please use the microphone and introduce yourself by name.

To any media present – welcome. Just a reminder that this is a meeting for shareholders, but Blair, Paul 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, the progress we've made at Tower in recent months and our focus looking forward.

Following Blair and Paul's presentations, 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 10 shareholders for this meeting. This requirement has been met, and a quorum exists.

#### **Proxies**

In addition to those attending in person today, 565 shareholders, holding a total of 251,239,854 shares, have appointed proxies (including proxies instructed to abstain). The appointed proxies represent 61.18% of valid securities voted.

In my capacity as Chairman of the meeting and in my own name I hold proxies for 439 shareholders, representing 247,125,990 shares, or 65.12% of all shares on issue.

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, together with Tower's inaugural climate statement, was made available on Tower's website on the 28th of November 2024.

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

## **Slide 5 – Chairman's update**

It has been a good year for Tower shareholders.

I am pleased to address you today, as we have paid FY24 dividends of 9.5 cents per share, Tower has entered the NZX 50 Portfolio Index and MidCap Index, and we are about to seek your approval for a capital return of \$45 million.

There is no question FY24's strong results were significantly aided by the absence of large events in the period. The weather was kind. But more importantly, Tower achieved year-on-year improvements in business-as-usual claims, premium growth and operational and digital efficiencies.

These are the measures that will ensure Tower remains well-positioned to deliver value to shareholders. And it's pleasing to note that the first three-months of FY25 continued in the same vein, as Blair will outline shortly.

Our strategy, which is now well embedded, is delivering both an improved customer experience and business performance. We have a solid platform; but there's more work to be done and further gains to be had.

[pause]

In the wake of the recent tragic California wild fires, there are lessons for New Zealand. These fires have wreaked havoc and had a huge human cost, in terms of both loss of life and property. Sadly, they have also laid bare a massive insurance gap that has been decades in the making.

California is the largest insurance market in the United States and subject to wildfires, earthquakes and other natural disasters. Climate change has made these events more frequent and severe, pushing up insurance and reinsurance costs at a time when California

set regulatory limits on premiums. Unable to fully price in the increased likelihood and severity of risk, unsurprisingly, many insurers decamped.

Instead, residents have been forced to rely on the Fair Access to Insurance Requirements (FAIR) plans, a centralised pooling insurance programme created in 1968 to provide coverage for those who can't obtain insurance from private insurance companies. These plans offer limited cover, comparatively expensive premiums, low policy caps. Media coverage suggests they also have earned a reputation for unreasonably low settlements, delayed payments and disproportionately high litigation rates with policyholders. Many residents simply don't bother.

In addition, there is no comprehensive climate adaptation policy to incentivise risk reduction or support people to leave areas made unsafe by climate change-related risks.

The end result is the vast majority of people and properties affected in the most recent fires have little or no insurance at all.

Early estimates are predicting more than US\$200 billion in economic losses from the wildfires ... **less than 25%** of those losses are likely to be insured with only US\$20-\$45 billion estimated in insurance payouts. Who's going to pay the balance?

[pause]

We need to avoid this situation in New Zealand at all costs. While we currently have extraordinarily high rates of residential insurance, mounting climate impacts do put pressure on premiums as reinsurance becomes more expensive.

To the best of its ability, Tower will continue to support communities as risks evolve by pricing accordingly. But we have always been clear that we cannot help everyone.

[pause]

As the nation with the second highest natural risk profile in the world, collectively we need to do more. Our primary focus must be on reducing risk in our most hazard-prone communities to keep insurance affordable and ensure the safety of people and property.

The insurance sector needs long-term certainty about climate change adaptation policy to ensure insurance remains available and affordable, and the reinsurance environment remains stable.

[pause]

In late January, the Government responded to the Finance and Expenditure Select Committee report on climate adaptation and to advice from the Climate Change Commission.

Climate Change Minister Simon Watts acknowledged the reports had been useful and that the Government was moving fast to ensure legislation dealt properly with the challenges posed by climate change. He went so far as to say legislation would be introduced this year; he agreed that political consensus for solutions was essential; and that the status quo is unacceptable ... so far, so good.

But the elephant in the room – the question of which parties pay for adaptation and how much each should pay – looms large and remains unresolved. And, until there is clarity and consensus on this vital point, Tower remains concerned.

There is significant, complex work still to be done and we're out of runway. The 2023 Auckland floods and Cyclone Gabrielle are estimated to have cost the economy \$15 billion. We might not know when, but we do know that a similar event – or worse – will occur.

[pause]

As a responsible insurer we would urge the Government to complete a climate change adaptation framework that has cross-party support, as quickly as possible.

That framework is crucial for minimising the insurance gap and preventing New Zealanders experiencing the anguish that many thousands of Californians are experiencing today.

[pause]

Tower has been ahead of the pack in introducing risk-based pricing and the risk data is continually being refined and additional risks assessed. But we won't be resting on our laurels. Climate change is constantly presenting new challenges, and we have further work to do to improve both our processes and risk identification.

A consistently strong business performance is essential to ensure we can continue that vital work.

[pause]

Before I hand over to Blair to give his last public address as CEO, on behalf of the board, I wish to thank him for the significant contribution he has made to Tower. We wish him 'safari njema' which I'm reliably informed means 'safe travels' as he runs around Kilimanjaro before taking up his new role as CEO at Milford Asset Management.

I'd also like to acknowledge and thank Graham Stuart who is retiring from the Board today. Graham joined the board in 2012. He has been a considered voice at the board table and showed an unwavering commitment to Tower's transformation. [pause]

Blair will take you through the FY24 results and three-month trading update. Paul will then provide an overview of the 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 recap our full year 2024 results as well as share a performance update for the first three months of the 2025 financial year. Paul will also take the opportunity to give you an overview of Tower's plans to continue growing and innovating in the future.

#### **Slide 7 - Our Strategy**

To start, a recap on our strategy which is delivering results and provides an important platform for further improvements.

We continue to focus on four key areas – delivering a leading customer experience, ensuring we are operationally efficient, fostering an effective and distinctive culture and ultimately continuing to build a resilient business.

#### **Slide 8 – FY24 performance**

And now to recap on our results for the financial year ending 30 September 2024, which demonstrate Tower's positive operational and business performance.

Gross written premium for the year to 30 September 2024 increased to \$595 million, up 15% on FY23, excluding divested portfolios.

Customer numbers decreased by 2% to 305,000, partly due to our tightened risk appetite for high-theft motor vehicle models.

Rating increases, enhanced processes, a reduction in motor theft claims, as well as calmer weather in comparison to prior years led to an improvement in the BAU claims ratio to 48%.

Pleasingly our management expense ratio improved to 31.4%, thanks to GWP growth combined with disciplined cost control and improved efficiencies.

Tower experienced no large events during the 2024 financial year.

Large event costs for FY24 were negative \$2.3 million, due to the absence of large events and a favourable revision of prior year large event costs. This was a reduction from \$55.6m of large event costs in FY23.

Reflecting our positive operational and business performance we reported an underlying profit after tax of \$83.5m in FY24, up from \$7.1m in FY23.

Reported FY24 profit was \$74.3m compared to a loss of \$1m in FY23.

On the basis of these results Tower declared a total FY24 dividend of 9.5 cents per share.

### **Slide 9 – FY24: Continued premium growth**

Gross Written Premium increased by 15% in FY24. This was predominantly driven by the prior period rating increases designed to mitigate the impacts of inflation, crime and increased reinsurance costs following the 2023 catastrophe events.

In FY24 we were pleased to see our proportion of house policies compared to total policies increase as we focused more on the home insurance market. Nearly a third of our house insurance GWP growth came from volume.

In FY24 the number of motor policies reduced as we tightened our risk appetite for high theft vehicles, while GWP from our motor portfolio grew by 13%.

Our risk-based pricing and underwriting continues to give us a competitive advantage by enabling more accurate risk selection and pricing. At the end of FY24 91% of house policies rated low or very low for flood risk, a 1% improvement from FY23.

We began to moderate premium increases, in the second half of FY24 as inflation began to settle, particularly for lower-risk motor vehicle makes and models that are shown to have lower risk of theft.

Our retention rate for our New Zealand risk portfolio remained stable at 77%.

Just over half of our customers held multiple policies with us.

To help our customers manage their insurance and affordability considerations, we promoted Ways to Save, a My Tower feature for our New Zealand customers that offers useful tips and options to reduce premiums.

#### **Slide 10 – FY24: Continued improvement in MER**

We were pleased to achieve further reduction in MER to 31.4% in FY24, down from 32% in FY23.

It's clear that the \$150m Tower has invested in targeted growth, operational efficiency initiatives and streamlining the business in the past five years is realising benefits.

The expansion of our Suva hub has delivered well in this respect. In the year our Suva team answered 55% of all New Zealand sales and service calls to Tower; an increase from 16% in FY23.

In FY24 we completed the sales of our Solomon Islands business and Vanuatu subsidiary. Tower also stopped offering commercial rural insurance in November 2023.

Our commission ratio continued to improve, reducing to 1.5% in the year from 2.1% in FY23 partly due to legacy portfolio purchases and transitioning to referral arrangements that reduced total commission.

#### **Slide 11 – FY24: BAU claims ratio significantly improves**

In FY24 our BAU claims ratio improved significantly from 55% in FY23 to 48%, thanks to effective pricing and underwriting, efficient claims management, calm weather and other external factors.

Targeted rating, across our house and motor portfolios reduced higher risk policies and therefore claims. General rating increases implemented in FY23 and early FY24 to offset inflation and increased reinsurance costs also continued to earn through.

With an aim to more quickly and efficiently complete claims, we launched a new digital motor assessing tool, and automatically allocated simple motor and home claims to repairers via My Tower online.

External factors have also played a part with calmer weather reducing the frequency of claims in New Zealand and the Pacific region.

These factors along with the initiatives we have implemented saw the number of open BAU claims in New Zealand halve and claims turnaround times improve by a third.

### **Slide 12 – FY24: Delivering shareholder returns**

Off the back of the 2024 financial year Tower has proposed to return \$81m to shareholders in the form of dividends and a capital return in the first half of 2025.

We paid a final dividend of 6.5 cents in January 2025, bringing the full year dividend to a total of 9.5 cents per share.

Tower's solvency ratio was 212% as at 30 September 2024, after the final dividend and before the capital return.

### **Slide 13 – FY25: Q1 trading update**

Turning now to our trading performance for the first three months of our 2025 financial year which features strong business-as-usual (BAU) claims performance, operational efficiencies, and targeted growth.

### **Slide 14 – FY25 Q1 trading update**

Here is a summary of our quarter one performance. The financial information provided in this update is based on Tower's unaudited management accounts as at 31<sup>st</sup> of December, 2024.

### **Slide 15 – Q1: continued premium growth**

GWP rose by 6% (excluding divested portfolios) to \$155m compared to the same period last year, reflecting growth in lower risk assets.

While rating increases have now flattened on average, following the higher rate increases implemented in early FY24, we are pleased to see strong volume growth increasing over the first three months of FY25.

Customer numbers increased to around 310,000 over the quarter as we welcomed around 5,000 new customers to Tower. Similarly, Tower's risk count increased by around 8,000 risks in the quarter, predominantly in the house and contents markets which saw 12% GWP growth, half of which was from volume.

New Zealand retention remains consistent year on year at 78%.

Our risk-based pricing approach is continuing to improve our risk exposure with 92% of new policies rated low or very low for flood risk.

### **Slide 16 – Q1: Customer experience**

Our focus on customer experience combined with our use of digital technology and data has driven consistent improvements in the past year. Our overall net promoter score further increased this quarter to plus 41, up from plus 38 at 30 September 2024.

The benefits of our core platform (now live across the Tower group) and our expanded Suva Hub team continue to be realised, contributing to a pleasing reduction in our sales and service contact centre abandonment rate, now at 7% compared to 9% in the prior year.

Active My Tower users increased by 4% to 170,000 over the quarter, and My Tower log ins have increased by 7% year on year demonstrating that our online journeys continue to resonate with customers.

We were pleased to win the first place Supreme Award for Customer Retention in the New Zealand CRM Contact Centre Awards in September 2024.

Last year Canstar also announced Tower as the winner of its Home and Contents Outstanding Value and Insurer of the Year Awards.

### **Slide 17 – Q1: Continued improvement in MER**

The management expense ratio (MER) has continued to improve, reducing to 30% in the quarter from 32% in the prior comparable period.

This improvement was driven by our increasing scale from targeted premium growth as well as operational efficiencies.

Our operational hub in Suva is now answering 70% of all New Zealand sales and service calls and our digital channels are increasingly picking up our service, sales and claims tasks.

**Slide 18 – Q1 BAU claims ratio significantly improves**

The BAU claims ratio has decreased substantially to 39%, down from 57% for the same period last year.

This improvement is due to a combination of prior period underwriting actions and targeted rating increases for higher-risk assets, alongside a combination of external factors which include calmer weather and lower inflation.

Our work to enhance efficiencies has included bringing motor vehicle assessments predominantly in-house which has reduced claims assessment costs.

New digital claims journeys have shifted more of the claims process online with 53% of motor claims now automatically allocated to a repairer.

**Slide 19 – Strong capital and solvency position**

Tower remains well capitalised with strong solvency margin well above both regulatory requirements and our internal targets.

And we expect this to continue after various changes to the rules around calculating solvency are implemented.

Tower's regulatory solvency position is calculated under the Reserve Bank of New Zealand's (RBNZ) Interim Solvency Standard (the ISS). In December 2024, the RBNZ released further amendments to the ISS, which corrects issues in the previous solvency standard, and will be effective from 1 March 2025.

These amendments have areas of complexity and insurance industry interpretations of them are still being developed.

Our assessment, so far, is that if we had reported our solvency position under the amended version of the ISS, our solvency margin at 30 September 2024 would have been \$139.6m, rather than the \$171.4m we reported under the prior version of the ISS.

Tower uses an internal target for capital management, including determining dividends and capital returns, and our internal forecasts had allowed for changes to the ISS. Therefore there is no direct impact from the RBNZ's amendments to the Board's plans to distribute dividends or capital to shareholders.

Using the amended version of the standard, our pro forma solvency position at 1 January 2025 shows we are holding \$167.5m more solvency capital than the regulatory minimum capital requirement.

In accordance with the ISS, the planned capital return of \$45m has not yet been taken into account in the reported solvency position, however, if it were, Tower would still have a solvency margin of \$122.5m as at 1 January 2025.

Before I hand you over to our current CFO, soon to be interim CEO, Paul Johnston, can I just say a couple of words to thank the Board, Management, shareholders and our people for the opportunity to lead Tower. It has been an absolute privilege and a pleasure, one that I have enjoyed enormously, and I am proud of what we've all achieved.

Over to you now, Paul.

#### **Slide 20 – Looking forward – Paul Johnston**

Thank you, Blair.

Looking forward we will continue our focus on strategic delivery and strong business performance.

#### **Slide 21 - FY25 guidance and future targets**

Tower's FY25 guidance and future targets were updated last week on 5 February following the strong Q1 business performance Blair has just outlined and early indications from January's performance..

In FY25 Tower expects GWP growth - excluding revenue from sales of subsidiary operations - of between 7% and 12%.

We have set a prudent large events allowance of \$50m, \$3m of which has been used to date.

We expect further improvements to our management expense ratio which we anticipate will be less than 29%.

And we are targeting a combined operating ratio of between 84% and 86%.

Assuming full utilisation of the \$50m large events allowance Tower anticipates underlying NPAT to be between \$60m and \$70m.

## **Slide 22 – Focus on customer experience and targeted growth**

This year Tower is continuing to invest in creating leading customer experiences, while targeting the right risks at the right price.

This includes applying landslide and sea surge risk ratings to policies at customers' next renewal date and adding these perils to our automated customer-facing quote-to-buy tool, where customers can already see their home's risk ratings for earthquake and flood hazards.

We will continue our focus on increasing new business from home insurance policy sales by targeting high quality risks.

In line with expectations, we are already seeing growth in our motor book as our pricing becomes more attractive for lower risk vehicles.

And we will continue to grow through partnerships including Kiwibank, homes.co.nz and HealthCare Plus who joined us in FY24.

We are also looking to further increase customer retention by improving our online policy renewal experience.

As we work to continually improve our customer experience, we remain focused on helping customers manage their insurance and affordability concerns.

## **Slide 23 – Continuous efficiency & process improvements**

In FY25, we are continuing to focus on delivering efficiency and process improvements.

We are aiming for 80% of all New Zealand service tasks to be completed via digital channels by the end of FY27.

Following the launch of our new motor assessing system in FY24, we also plan to launch a new house assessing system. This is all about continuing to drive down assessment times and repair costs.

We are also working to implement a new contact centre platform in FY25 designed to deliver greater frontline efficiencies and improved customer experience.

As we examine and improve our systems and processes, we are working to address the root causes of and are applying lessons from the errors that led to customer remediations. This is a strategically important programme for our business which focuses on investigating root

causes of incidents with a view to developing strategies to address those root causes, enhancing delivery and project execution and improving end-to-end customer data management at Tower.

Our work to streamline the business continues having completed the exit of our New Zealand commercial rural portfolio in January, another step towards decommissioning our last legacy technology system in New Zealand.

#### **Slide 24 - Fostering sustainability**

Navigating the broader effects of climate change is essential to our business as a general insurer. We are continuing to invest in initiatives and products that foster sustainability and future climate change resilience.

Innovation will be key to our ongoing success. One cost-effective alternative to traditional insurance is parametric insurance, which we have now implemented in three Pacific nations. In FY24, we partnered with the United Nations Capital Development Fund (UNCDF), global insurtech, CelsiusPro, to offer this product on a digital platform. We are now working to achieve scale by delivering parametric insurance through new strategic partnerships that are in development.

FY24 scope 1 and 2 greenhouse gas emissions were 20% below our FY20 baseline year. Detailed information was included in our inaugural climate statement released on 28 November 2024. The statement covers in detail the climate change risks and opportunities we've identified, along with our strategic responses aimed at supporting a low-emissions and resilient future.

We continue to support education by awarding five university scholarships in New Zealand and Fiji in FY24.

An important part of our business strategy is to build an effective and distinctive staff culture across our New Zealand and Pacific locations.

This slide shows some of our FY24 people-related metrics, including our staff engagement and gender pay equity scores and our various employee representation groups.

Late last year we were pleased to win the Excellence in Workplace Diversity, Equity & Inclusion award at the 2024 ANZIIF New Zealand Insurance Industry Awards as well as the Fiji Prime Minister's Employer of the Year award.

We're committed to making Tower an even better place to work, enabling us to attract and retain talented people and empower our teams to show up in the best way possible for our customers.

### **Slide 25 – Continued focus on strategic delivery & strong performance**

Sharp focus remains on delivering our strategy and strong business performance.

We will continue investing in our customer experience to achieve targeted customer and premium growth.

We will continue to work through customer remediations and engage with the FMA in relation to our multi-policy discount remediation and associated proceedings, while implementing the lessons learnt from these experiences.

We will continue to improve efficiencies, via digitisation and enhanced processes.

And we are committed to maintaining our strong capital and solvency position while investing for the future.

Ultimately, we are focused on delivering long-term shareholder value and sustainable returns.

Thank you for your time this morning, I will now hand back over to the Chair.

### **Slide 26 - Shareholder Resolutions – Michael Stiassny**

Thank you, Paul.

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.

## **Slide 27 – Shareholder resolutions**

### **Resolution 1 - Authorisation to determine auditor remuneration**

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 PwC to continue as the company's auditor and PwC 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, PwC, 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 2025 financial year.

At this point, I would also like to note that the New Zealand Shareholders Association policy and international best practice is that the Audit Firm should not serve more than 10 years and the Lead Audit Partner should be rotated at five years to ensure the appropriate degree of independence is maintained. We agree with this view and the Board has adopted a policy of requiring a rotation of the Lead Audit Partner at least every five years and a tender for the Audit Firm, if not necessarily a change in firm, at least every 10 years. I note that our Lead Audit Partner rotated last year and we have included 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 2 - Re-election of Marcus Nagel as Director of Tower Limited.**

Marcus Nagel retires by rotation, and being eligible, offers himself for re-election. I now invite Marcus to address this meeting on his proposed re-election.

[MARCUS NAGEL ADDRESS]

Thank you, Marcus. I will now move that Marcus Nagel, who retires on rotation in accordance with NZX Listing Rule 2.7.1 be re-elected as a director of Tower Limited

Are there any questions?

*[FOLLOWING ANY QUESTIONS]*

**Resolution 3 - Approval of capital return via a scheme of arrangement**

As outlined in the Notice of Meeting, in 2024, the Board concluded a strategic review which determined we will continue executing Tower's current business strategy under the existing ownership structure, and pursue organic growth opportunities that deliver accretive value.

As part of that strategic review, the Board considered Tower's capital structure in light of the current strategy, which aims to deliver sustainable growth and efficiencies.

Given this strategy and the lack of large-scale claims events, the Board concluded that Tower had excess capital relative to the requirements of the business and its prudential capital reserving requirements.

The share buyback is a standard method of returning capital to shareholders for listed companies. The Board also chose this method as:

- it ensures that the return of capital will be made in a timely manner;
- all shareholders are treated on the same basis and that the return of capital does not alter shareholders' proportionate voting or distribution rights, and;
- the payment made to shareholders is appropriately treated as a return of capital for New Zealand tax purposes with IRD approval.

As announced on 21 October last year, we have received IRD approval for the proposed return of capital. Assuming we receive shareholder approval of the scheme of arrangement

today; and the grant of final Court orders, and providing the Board remains satisfied in its sole discretion that:

- Tower is complying with all solvency and regulatory capital requirements, including under its capital management process requirements and;
- that it remains prudent to undertake the Scheme, up until the time the Scheme is given effect,

we expect to return capital to shareholders in early April.

Are there any questions?

*[FOLLOWING ANY QUESTIONS]*

I will now move that the scheme of arrangement relating to the return of capital to shareholders, as set out in the Arrangement Document annexed to the Notice of Meeting, dated 10 January, 2025, be approved.

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 28 – 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 the formal business of our meeting and I'd like to thank you for your participation.

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.

# Tower Annual Shareholder Meeting

11 February, 2025



# Questions

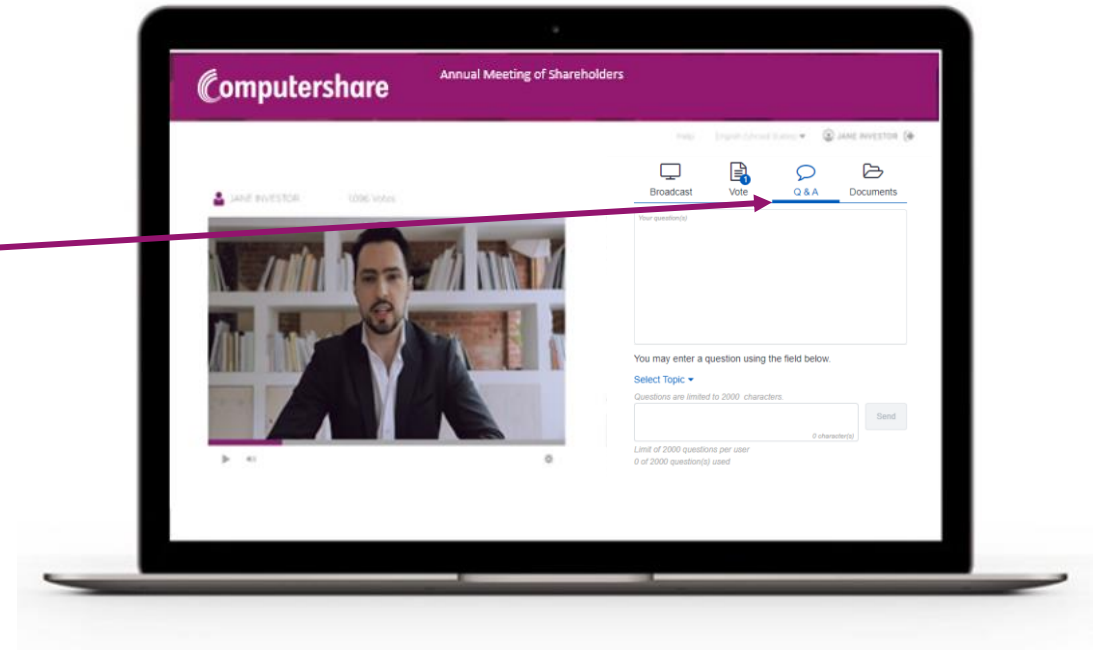
## Shareholder & Proxyholder Q&A Participation

**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.

### **Phone numbers:**

- NZ - 0800-650-034
- Overseas - +64 9 488 7800



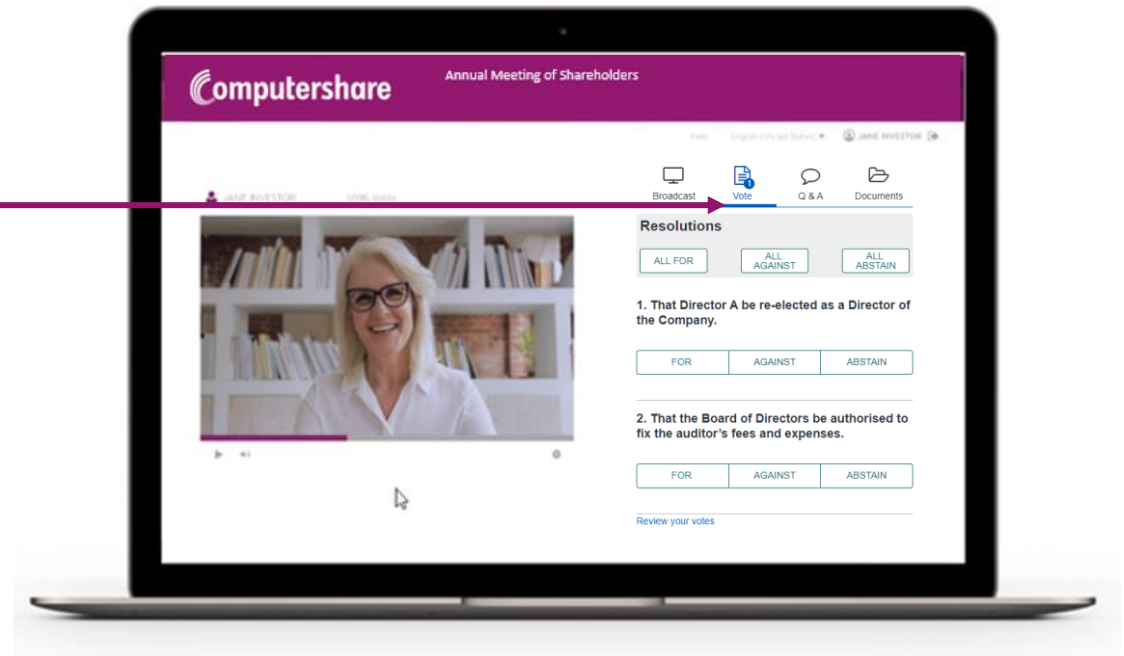
# Voting process

## 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 update  
Michael Stiassny, Chairman



CEO's address  
Blair Turnbull, Chief Executive Officer



Looking forward  
Paul Johnston, Chief Financial Officer



Shareholder resolutions  
Questions & general business  
Michael Stiassny, Chairman



# Chairman's update

Strong business performance provides solid platform for further gains

## **Generating value for shareholders**

- FY24 total dividends 9.5 cents per share
- \$45m capital return proposed
- Tower entered the NZX 50 Portfolio Index and MidCap Index

## **Strategy embedded and delivering results**

- Improved customer experience and business performance
- Risk-based pricing and strengthened underwriting capabilities bolstering market position
- Ongoing enhancements in digital and operational efficiencies continue to build resilience

## **Further upside**

- Strong business performance enables continued investment in further improving processes and risk assessment

# CEO address

Blair Turnbull  
Chief Executive Officer



## 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 personal lines and SME 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

Digitise and automate core processes and leverage geographical footprint

### EFFECTIVE & DISTINCTIVE 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

# FY24 performance

Positive operational and business performance

GWP growth

(Gross written premium)

**15%<sup>1</sup> | \$595m**

vs \$527m in FY23

Customers<sup>1</sup>

**305,000**

vs 311,000 in FY23

BAU claims ratio

(Business as usual)

**48%**

vs 55% in FY23

MER

(Management expense ratio)

**31.4%**

vs 32.0% in FY23

Large event costs<sup>2</sup>

(including reinsurance reinstatement)

**-\$2.3m**

vs \$55.6m in FY23

Underlying profit<sup>3</sup>

**\$83.5m**

vs \$7.1m in FY23

Reported profit

**\$74.3m**

vs \$1.0m loss in FY23

Dividend

Total FY24 declared dividends

**9.5 cents** per share

vs no dividend in FY23

Prior year metrics have been restated to align to IFRS 17 for consistent comparisons

Note 1: Excluding divested portfolios. Prior year customer numbers have been adjusted to exclude sold and held for sale portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial rural portfolio

Note 2: Large event costs are negative in FY24 due to the absence of large events in the financial year and a favourable revision to prior year large events costs

Note 3: Definition of underlying profit and a reconciliation to reported profit is included in the appendices

# FY24: Continued premium growth

15% underlying GWP growth<sup>1</sup>

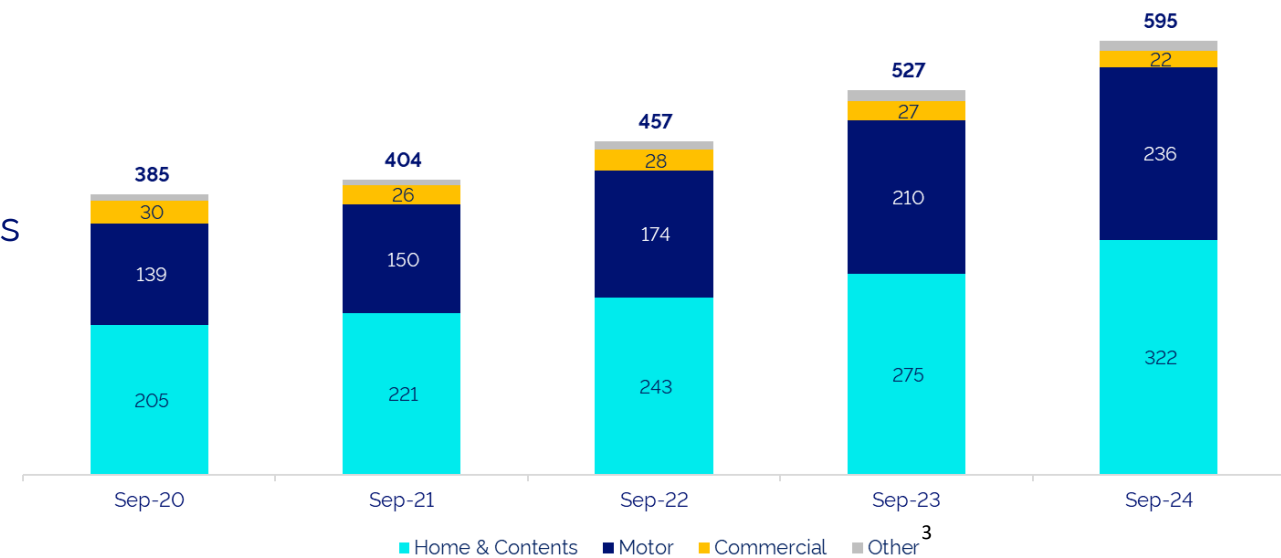
## Targeted growth

- House GWP growth 18%; 72% rate, 28% volume
- Motor GWP growth 13%; off-risking of high theft vehicles reduces number of motor policies
- Risk-based pricing improving exposure; 91% of policies rated 'Low' or 'Very Low' flood risk (FY23: 90%)

## Addressing customer affordability

- NZ retention at 77% (FY23: 77%)<sup>2</sup>
- 53% of customers have multiple policies
- 29k customers accessed 'Ways to Save' feature

## GROSS WRITTEN PREMIUM (\$m)



Note 1: Excluding divested portfolios. Prior year customer numbers have been adjusted to exclude sold and held for sale portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial rural portfolio

Note 2: Commercial rural policies have not been included because this business has been sold and policies are actively being transferred out of the portfolio

Note 3: Other products include Marine, Travel, Pet, Liability, and Workers Compensation

# FY24: Continued improvement in MER

Management expense ratio (MER) improved to 31.4%

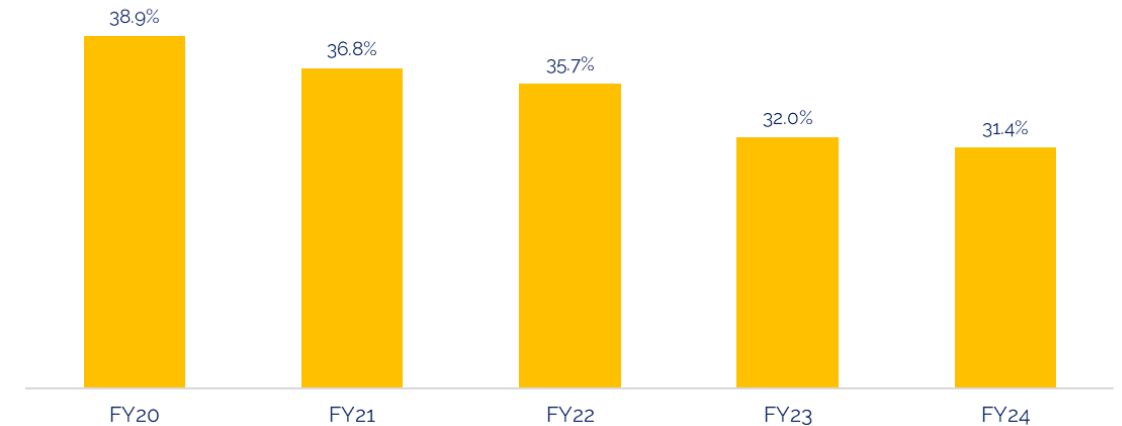
## Operational efficiencies

- Achieving scale with targeted premium growth
- Suva hub answering 55% of NZ sales and service calls (FY23: 16%)

## Streamlining the business

- Sale of Solomon Islands, Vanuatu and NZ commercial rural portfolio
- Commission ratio<sup>2</sup> at 1.5%; down from 2.1%, partly due to legacy portfolio purchases and transition to referral arrangements

## MANAGEMENT EXPENSE RATIO<sup>1</sup>



Note 1: Calculated as management expenses and net commission expense divided by net insurance revenue

Note 2: Commission ratio for the comparative period has been restated due to adoption of IFRS17 which treats a portion of commission revenue as insurance revenue

# FY24: BAU claims ratio significantly improves

Business as usual claims ratio improved to 48.1%

## Effective pricing and underwriting

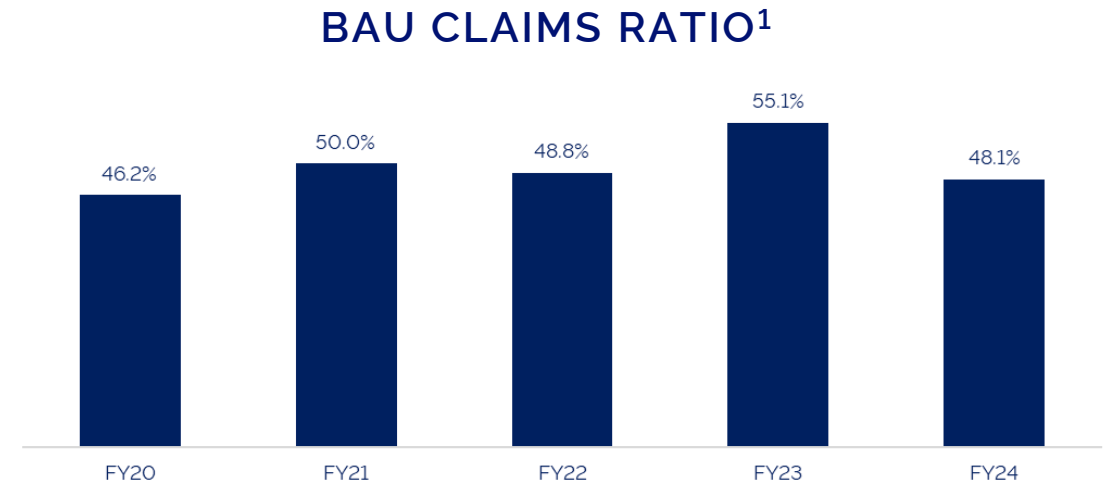
- Targeted rating has reduced high-risk policies
- Rating for inflation, reinsurance, high motor theft

## Faster and more efficient claims management

- Digital evolution: new motor assessing tool live, auto allocation of online motor and house claims to repairers
- Number of open BAU claims down by 50%
- Turn around time decreased by 30%

## External factors improved performance

- Calmer weather, easing inflationary pressures, and lower motor theft frequency



Note 1: BAU claims are defined as those not part of a large event (large events are defined as having a cost to Tower of \$2m or more, with lodged claims from two or more policyholders). BAU claims ratio is calculated as BAU claims expense divided by net insurance revenue

# FY24: Delivering shareholder returns

CAPITAL RETURN &  
DIVIDENDS

**\$81m**

Proposed to be  
returned to  
shareholders

AM BEST  
FINANCIAL STRENGTH  
RATING

**A-**

Affirmed in  
April 2024

FY24 TOWER PARENT  
SOLVENCY

**212%**

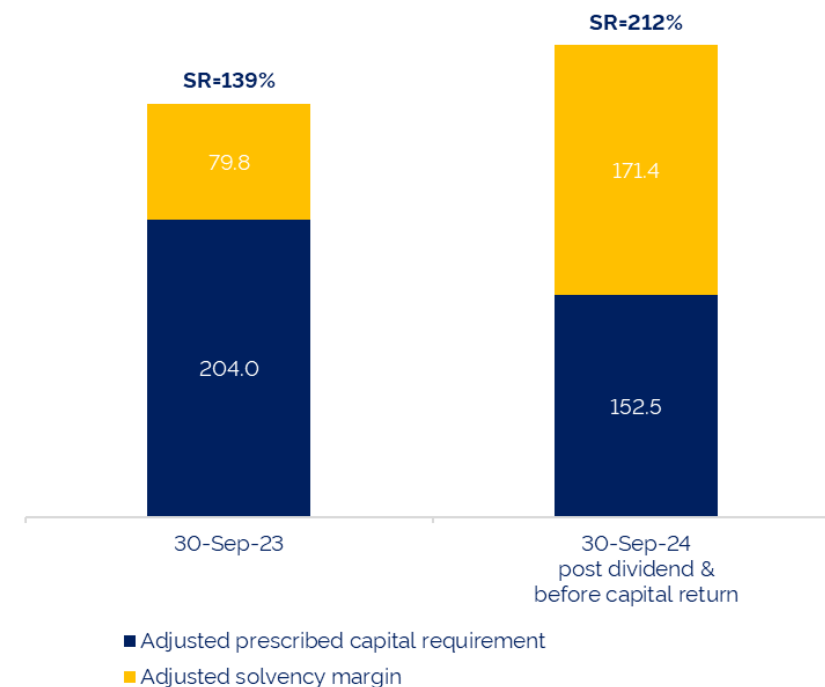
Post dividend and  
before capital return

FY24 FULL YEAR  
DIVIDEND PAID

**9.5c**

None paid in FY23

## TOWER SOLVENCY<sup>1</sup> NZ PARENT (\$m)



Note 1: The 30 September 2024 solvency position was prepared in accordance with the RBNZ's Interim Solvency Standard, including the first amendment, which applied from 1 October 2023. The 30 September 2023 comparative was prepared in accordance with the RBNZ's Non-Life Solvency Standard, which was applicable until that date.

# FY25 Q1 trading update

For the three months to December 31, 2024



# FY25 Q1 trading update

Strong BAU claims performance, operational efficiencies, and targeted growth

## GWP growth

(Gross written premium)

**6%<sup>1</sup> | \$155m**

vs \$150m in Q1 FY24

## Customers

**310,000**

vs 305,000 as at 30 Sep 24

## BAU claims ratio

(Business as usual)

**39%**

vs 57% in Q1 FY24

## MER

(Management expense ratio)

**30%**

vs 32% in Q1 FY24

## Large event costs

**\$3m**

vs \$0m in Q1 FY24

## Solvency ratio<sup>2</sup>

**187%**

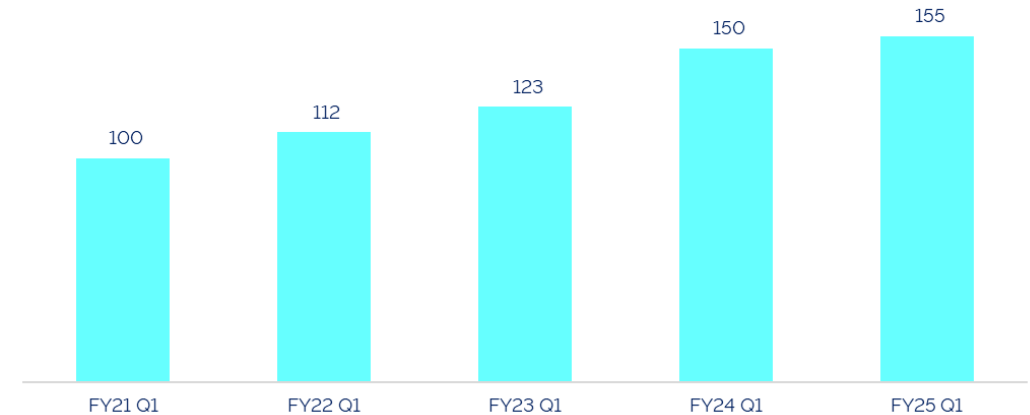
vs 176% as at 30 Sep 2024

Note 1: Excluding divested portfolios. GWP growth has been adjusted to exclude sold portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial rural portfolio  
Note 2: The solvency position disclosed is based on Tower's initial interpretation of Interim Solvency Standard (ISS2) and has been reviewed by Tower's Appointed Actuary. Due to the complexity of the requirements within ISS2 and with insurance industry interpretations of these requirements continuing to develop, the final solvency position determined under ISS2 may be better or worse than that disclosed.  
Financial information provided on this page is based on Tower's unaudited management accounts as at 31 December 2024

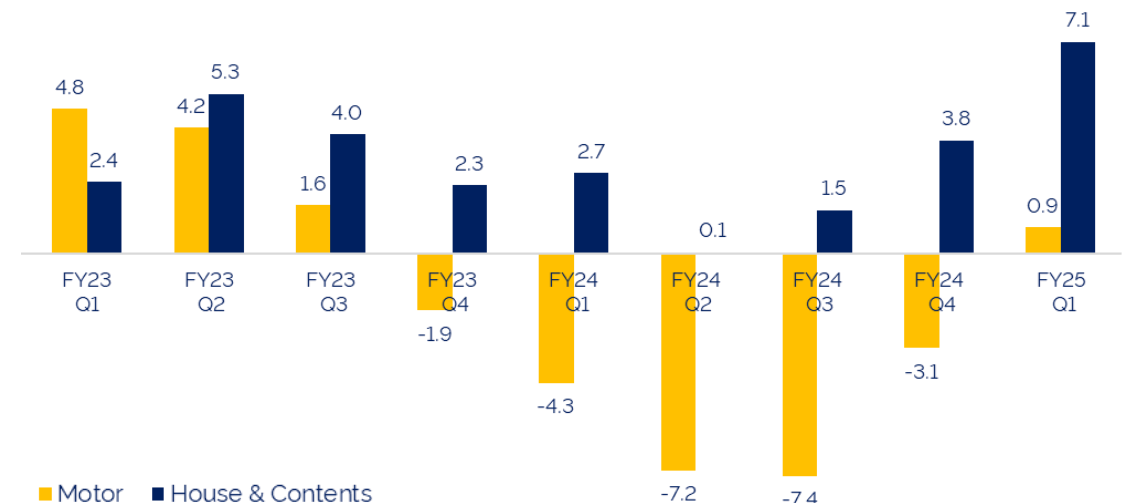
# Q1: Continued premium growth

- 6%<sup>1</sup> GWP growth vs same period prior year
- Rate increases have slowed, volume growth increased
- 5k customer growth in Q1 to 310k
- 12% GWP growth in NZ House portfolio; 6% volume growth
- NZ retention at 78% (Q1 FY24: 78%)<sup>1</sup>
- Risk-based pricing improving exposure; 92% of new business policies rated 'Low' or 'Very Low' flood risk

GROUP GWP (\$m)



NET MOVEMENT IN NZ RISKS BY QUARTER ('000s)



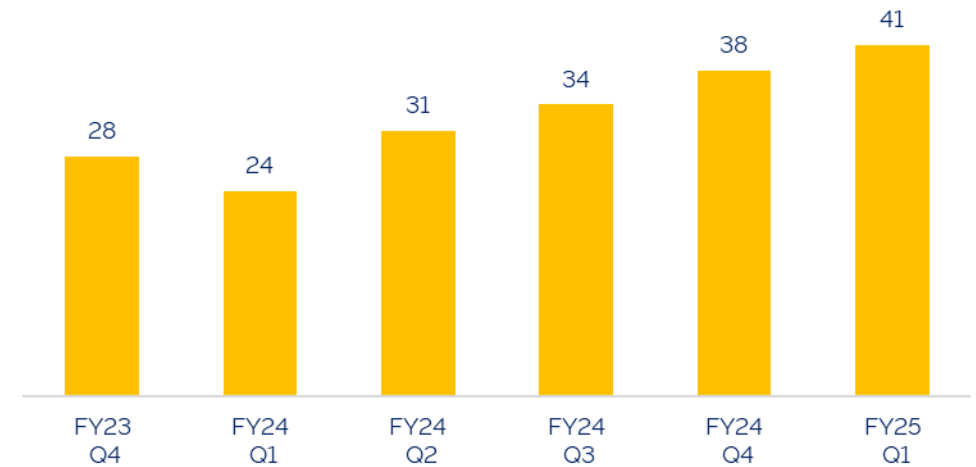
Note 1: Excluding divested portfolios. GWP growth has been adjusted to exclude sold portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial rural portfolio

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

# Q1: Customer experience

- NPS improved to +41
- Sales & service contact centre abandonment rate reduced to 7% (Q1 FY24: 9%)
- Active users of My Tower increased 4% to 170k from Sep-24
- 7% increase in My Tower logins vs Q1 FY24
- Award winning service: 1<sup>st</sup> place Supreme Award for Retention in the CRM Contact Centre Awards (NZ) in Sep-24

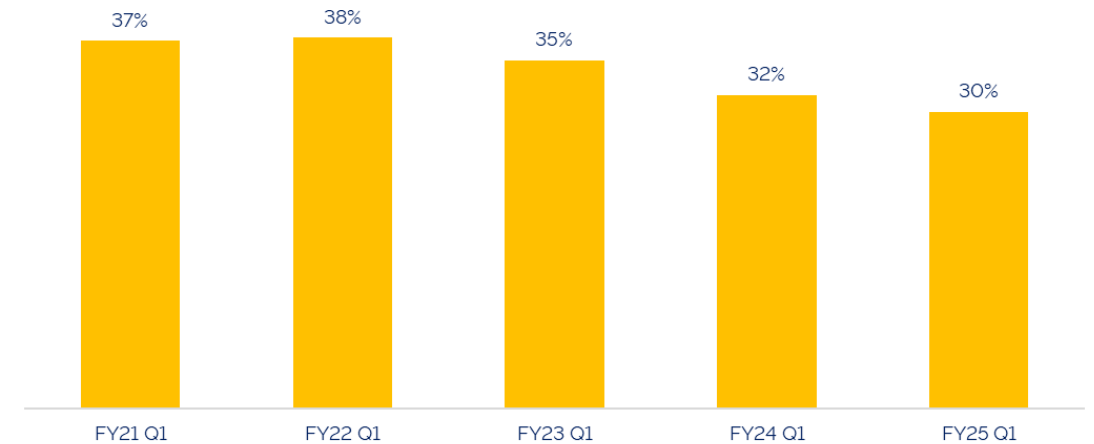
## NET PROMOTER SCORE



# Q1: Continued improvement in MER

- Management expense ratio at 30%, down from 32%
- Achieving scale with targeted premium growth
- Suva hub answering 70% of NZ sales and service calls
- Digital transactions: 45% service, 60% sales, 66% claims

MANAGEMENT EXPENSE RATIO<sup>1</sup>

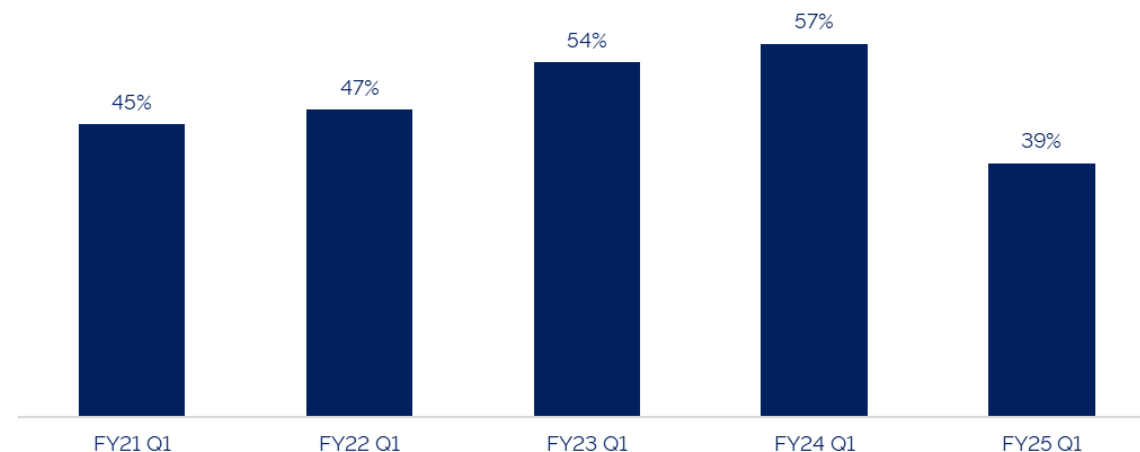


Note 1: Calculated as management expenses and net commission expense divided by net insurance revenue  
Financial information provided on this page is based on Tower's unaudited management accounts as at 31 December 2024

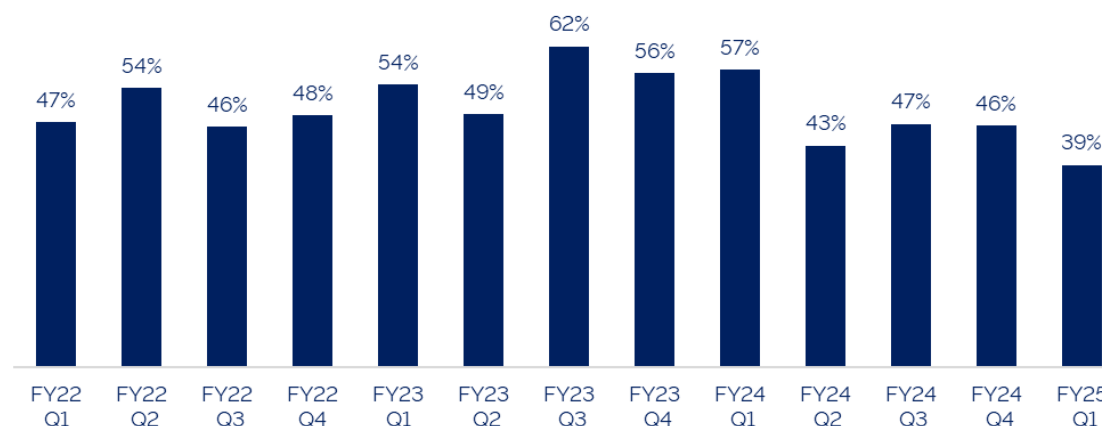
# Q1: BAU claims ratio significantly improves

- BAU loss ratio reduced to 39%
- Targeted rating has reduced high-risk policies
- External factors remain favourable with calmer weather and lower inflation
- Internal assessing of motor claims increased to 94% reducing assessment cost
- Digital journey: 53% of motor claims automatically allocated to repair network

BAU CLAIMS RATIO<sup>1</sup>



BAU CLAIMS RATIO BY QUARTER



Note 1: BAU claims are defined as those not part of a large event (large events are defined as having a cost to Tower of \$2m or more, with lodged claims from two or more policyholders). BAU claims ratio is calculated as BAU claims expense divided by net insurance revenue  
Financial information provided on this page is based on Tower's unaudited management accounts as at 31 December 2024

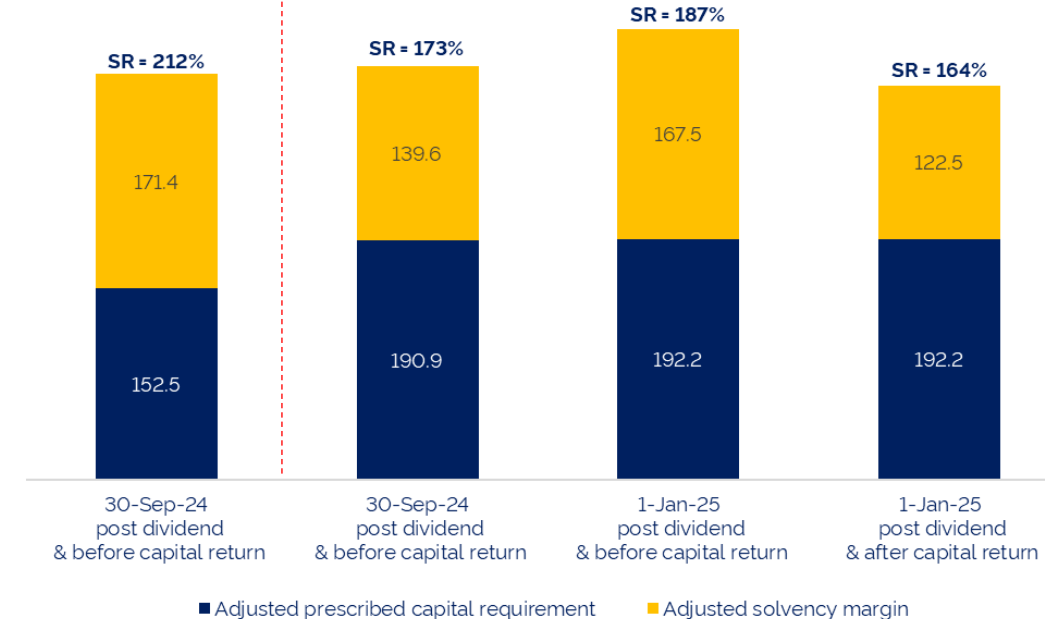
# Strong capital and solvency position

- Tower expects to continue to have a solvency margin, after the proposed capital return, that is in excess of both regulatory requirements and internal targets
- RBNZ has issued a second amendment to the Interim Solvency Standard (**ISS2**), effective from 1 March 2025
- ISS2 corrects issues in the previous solvency standard
- If ISS2 had been in place at 30 September 2024, the solvency margin would have been \$139.6m, rather than the \$171.4m that was reported<sup>1</sup>
- Tower manages its capital position using an internal target solvency margin that is greater than the minimum regulatory solvency margin

## TOWER SOLVENCY<sup>1</sup> NZ PARENT (\$m)

Previous ISS

Pro forma ISS2



Note 1: The solvency position disclosed is based on Tower's initial interpretation of ISS2 and has been reviewed by Tower's Appointed Actuary. Due to the complexity of the requirements within ISS2 and with insurance industry interpretations of these requirements continuing to develop, the final solvency position determined under ISS2 may be better or worse than that disclosed.

# Looking forward

Paul Johnston



# FY25 guidance and future targets

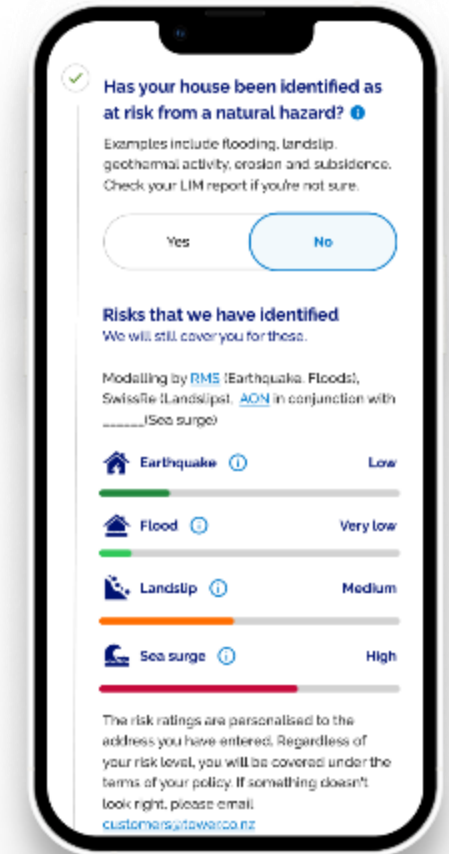
	FY24 Actual	FY25 Guidance	FY27 Target
<b>GWP growth</b> (excluding operations sold)	15%	7% - 12%	10% - 15%
<b>Large events cost/allowance</b>	-\$2.3m	\$50m	
<b>Management expense ratio</b>	31.4%	< 29%	< 26%
<b>Combined operating ratio</b>	79%	84% - 86%	< 86%
<b>Underlying NPAT</b> (assuming full utilisation of large events allowance)	\$83.5m	\$60m - \$70m	
<b>Return on equity<sup>1</sup></b>	23%	13% - 17%	> 18%

- FY25 assumes full utilisation of \$50m large event allowance. Any unused portion of the large events allowance at year end will increase underlying NPAT, and improve the full year result
- Large events allowance used so far in FY25 is \$3m for Dunedin Flood in October 2024
- The benefit to underlying NPAT from no further large events in FY25 would be an additional \$34m (\$47m less tax)

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

# Focus on customer experience and targeted growth

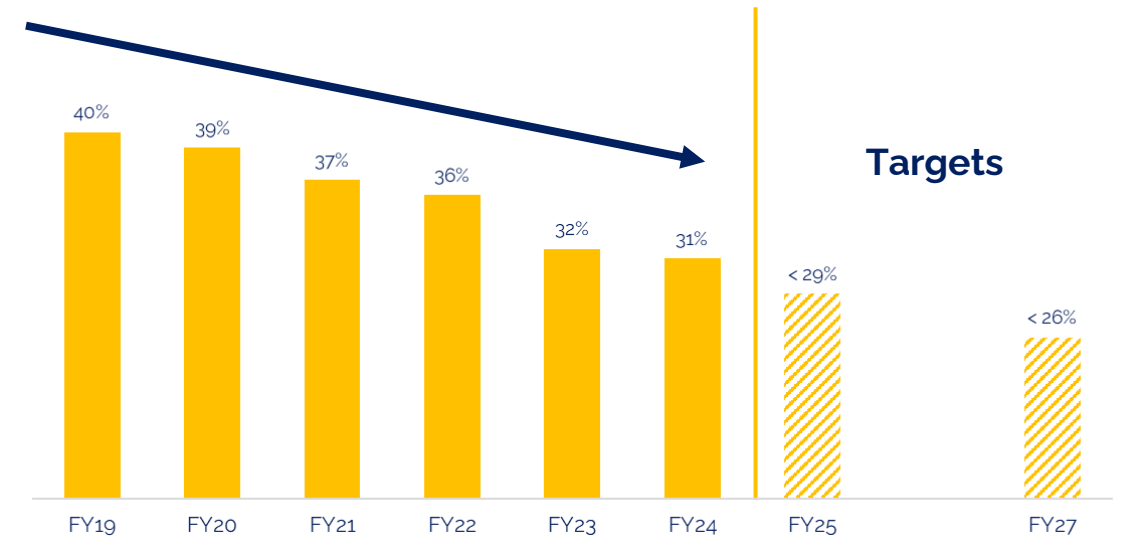
- Enhancing risk-based pricing – landslide and sea surge applied to renewal book and included in purchase journey
- New partnerships for further growth
- Motor policy growth through targeted risk approach
- Renewal journey uplift to increase retention



# Continuous efficiency & process improvements

- Targeting 80% of all NZ sales, service, and claim lodgement tasks to be digital by end FY27 (FY24: 45%)
- New house assessing system planned, reducing assessment time and repair costs
- New contact centre platform planned to deliver frontline efficiencies
- Remediation lessons applied to processes and systems
- Streamlining the business – exit from NZ commercial rural portfolio completed

MANAGEMENT EXPENSE RATIO (% NEP)



# Fostering sustainability

## Climate and community

- Parametric partnership with the UNCDF and CelsiusPro, global insurtech
- FY24 Scope 1 and 2 emissions 20% below FY20 baseline year
- Supporting university scholarships in New Zealand and Fiji

## Our people

- Staff engagement score 8.1
- Gender pay equity gap 0.9%<sup>1</sup>
- 30% of Tower staff are members of representation groups<sup>2</sup>
- Winner 2024 ANZIIF NZ Insurance Industry Awards Excellence in Workplace Diversity, Equity & Inclusion
- Winner Fiji Prime Minister's 'Employer of the Year' award



Customer buys a policy, choosing their preferred cover level



If a cyclone hits, we are alerted and assess payment



We send an SMS or email to let customers know if a payment is coming



We aim to pay out all eligible customers within 7 days

Note 1: Comparison of like-for-like roles for women and men at Tower (men are paid 0.9% more than women for the same role)

Note 2: Employee representation groups include groups for rainbow, Māori, women, physical & neuro diversity, wellbeing, and cultural diversity

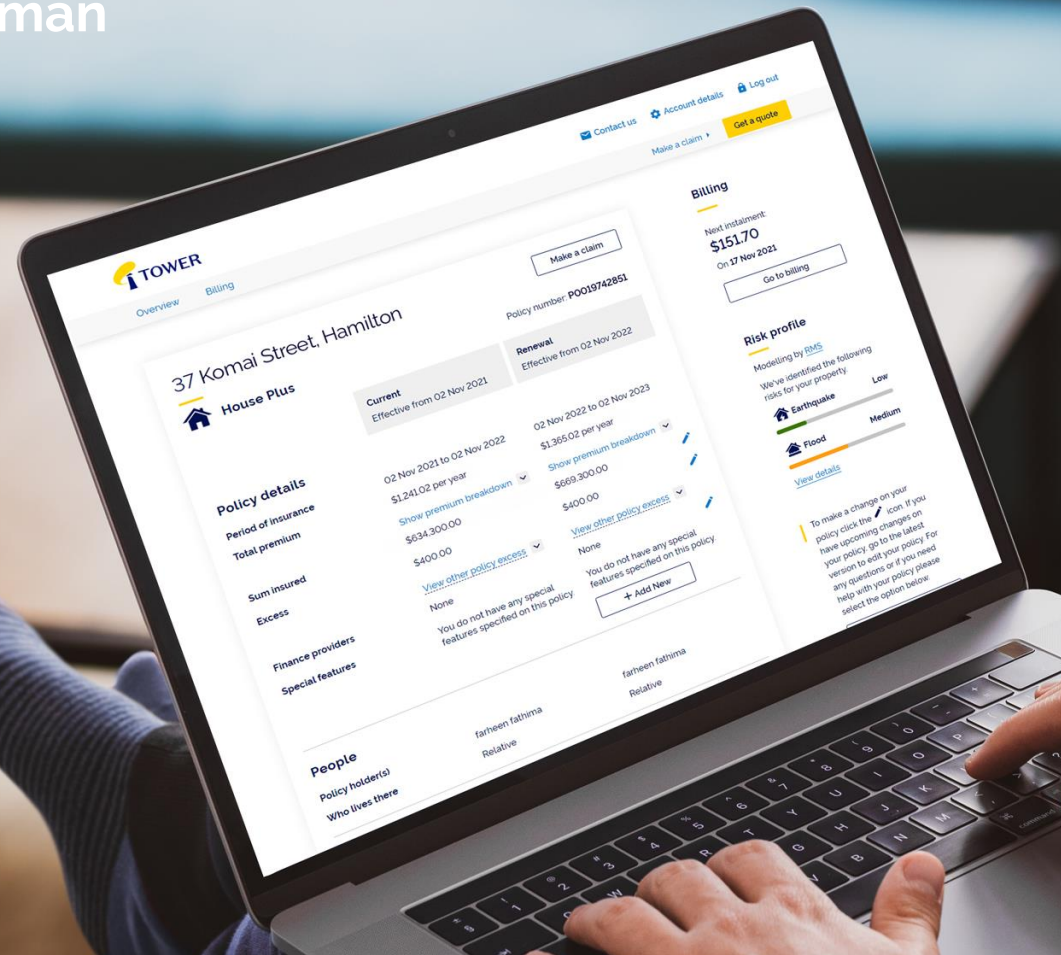
# Continued focus on strategic delivery & strong performance

- Continuing to invest in customer experience
- Customer remediations, FMA proceedings and implementing lessons
- Delivering profitable growth in targeted segments
- Continuous efficiency, digitisation and process improvements
- Strong capital and solvency
- Investing in future resilience and sustainability



# Shareholder resolutions

Michael Stiasny, Chairman



# Shareholder resolutions

## **Resolution 1**

- Authorisation for Board to determine auditor remuneration

## **Resolution 2**

- Re-election of Marcus Nagel as Director

## **Resolution 3**

- Approval of capital return via a scheme of arrangement



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 2024 and as at 31 December 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.

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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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