



# The Leading light

August 2015

**Welcome** to another issue of The Leading Light, the newsletter for TOWER investors.

It was immensely satisfying to be able to announce a 30.8% increase in the dividend to 8.5 cents per share for the half year to 31 March. TOWER is a company which continues to reward shareholders by distributing 90-100% of underlying net profit after tax back to you.

TOWER delivered a solid performance in the half year to 31 March. Our gross written premium increased by 4.9% to \$145.9 million, aided by strong policy growth in our Pacific Rim businesses and premium rises in New Zealand.

At the same time, the claims environment was relatively benign – the weather during the half year was good compared to recent periods, meaning fewer major events that resulted in a large number of claims.

Thanks to the better weather and growing premiums, our half year underlying profit after tax increased 272% to \$17.5 million. The Pacific region was particularly pleasing, with underlying net profit after tax up 86.9% to \$5.1 million. We are excited about the further opportunities in this region to bring the TOWER brand of insurance to more customers and we will soon be opening a new office in Vanuatu.

Despite a strong underlying profit result, TOWER reported a net loss for the half of \$4.9 million after tax following a decision to increase our provisions for claims relating to the Canterbury earthquake events. Although TOWER has an industry-leading performance when it comes to settling

Canterbury claims – we've completed 95% by volume so far – you may be aware that time delays and cost increases continue to affect the pace of the Canterbury rebuild. TOWER's further assessment of the outstanding claims led to the prudent decision to increase our reserves.

TOWER has a very strong level of solvency, well above the minimum the industry regulators require of us. That means we can still reward shareholders within a sound capital management policy. As well as the healthy increase in half year dividend, last month we began buying back up to \$34 million of TOWER shares on the market, which has the effect of reducing the number of shares we have on issue.

Our strong solvency position has also given us the flexibility to fund initiatives that are laying the foundation for higher returns to shareholders in the future. On page two you can read about the progress we have made in our digital strategy, including a new version of the *SmartDriver* app, and on page three learn about how we are investing for growth in our Pacific markets. An introduction to the new senior members of our TOWER team rounds out this issue on page four.

This will be my last newsletter as CEO of TOWER. It gives me great pleasure to be leaving the business in such a strong financial position with an exciting future ahead. Thank you to the dedicated people at TOWER who have helped make your company a leading light in general insurance.



David Hancock  
Chief Executive Officer

## Distributing the rewards to shareholders

■ Dividends per share  
for HY15

**8.5c**

up 30.8% on HY14 Paid on  
30 June

■ Share buyback  
underway  
**\$34 million**

up to 176 million shares

## Latest news – new CEO appointed

TOWER has appointed Richard Harding as its new Chief Executive Officer, effective 17 August.

See page 4 for details

## Quantum leap for TOWER's **Digital Strategy**

TOWER's strategy of driving growth through digital development has taken a leap forward this year with the launch of new customer websites in New Zealand and the Pacific and development of its new insurance policy management system.

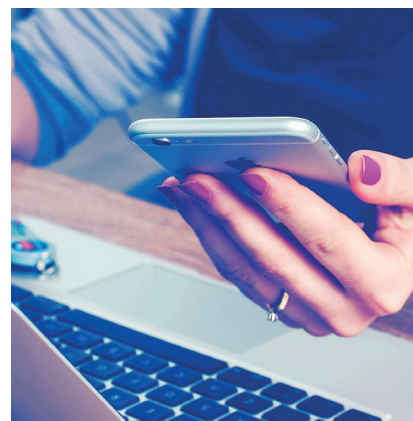
The new TOWER website utilises advanced software that ensures it works harmoniously with mobile devices. It also introduces a new content management system that eases the way for the development of new online features and functionality.

TOWER's Head of Digital Experience Victoria Muir says it is vital that whichever internet-enabled device a customer chooses to use, they have a positive experience on the websites. This is especially important in the Pacific, where mobile is the primary means of communication.

Ms Muir says it is wrongly assumed that a mobile-friendly website is only important when people are out and about and can't access a larger screen. In fact, they are increasingly reaching for their mobile first or at the same time as they are using their laptop, desktop or watching television.

"People are using their mobile or tablet in a multiscreen environment," she explains. "So we need to be mindful that mobile may be the preferred way to visit our site, particularly for Millennials."

Google has also recently acknowledged the trend by assigning higher rankings in its search results to websites which are mobile friendly.



People are using their mobile or tablet in a multiscreen environment

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### New **SmartDriver** proves a hit with customers

The new version of *SmartDriver*, the smartphone app that enables TOWER motor customers to get discounts on their insurance premiums for safer driving, has taken off in popularity since its May release.

The app taps into Kiwis' innate competitiveness, allowing customers to create private or public league tables and pit their driving performance against family and friends.

TOWER General Manager Customer Proposition, Mark Savage, says the app achieved the volume of usage in two to three weeks that had not been expected for two to three months.

Originally launched by TOWER in 2014, the app monitors and assesses an individual's driving behaviour.

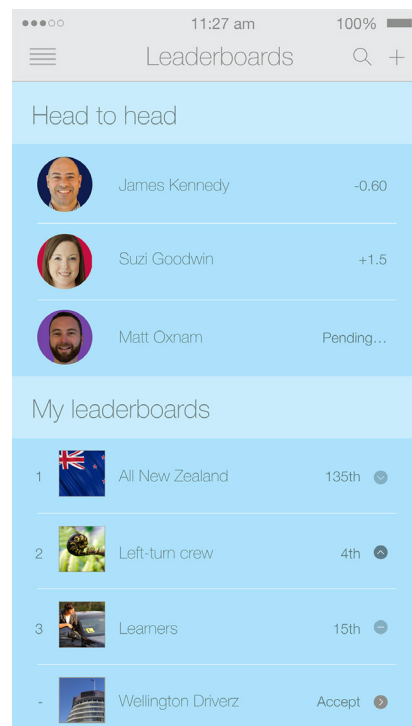
"By knowing our customers better through innovations like *SmartDriver* we can offer them a policy that better fits their risk profile," Mr Savage says. "It's particularly important for attracting younger drivers to TOWER."

About half of the people who have completed the app's 150km assessment period have been able to claim a premium discount.

The app now also features 'Auto Trip Capture', which automatically detects when users are on the move so they don't have to remember to hit 'start'.

*SmartDriver* won **Innovation of the Year** at the 2014 New Zealand Insurance Industry Awards and was a finalist at the TU Automotive Awards.

[smartdriver.tower.co.nz](http://smartdriver.tower.co.nz)



## TOWER expands further in to the Pacific region

TOWER is scheduled to begin operating in Vanuatu in early November as its business strategy in the Pacific Rim region goes from strength to strength.

TOWER already operates profitably in seven Pacific Rim countries: the Cook Islands, Samoa, American Samoa, Tonga, Fiji, the Solomon Islands and Papua New Guinea.

The Pacific's growing contribution to TOWER's overall performance demonstrates the potential of the region, where lack of insurance and underinsurance are big issues.

Growing the Pacific business and achieving leadership in this market is one of the central pillars of TOWER Group's successful growth strategy.

Gross written premium in the Pacific grew 14% to 28.5 million in the half year to 31 March, while underlying net profit after tax almost doubled to \$5.1 million.

Earnings and revenue from the region now represent about one quarter of the TOWER Group figures.

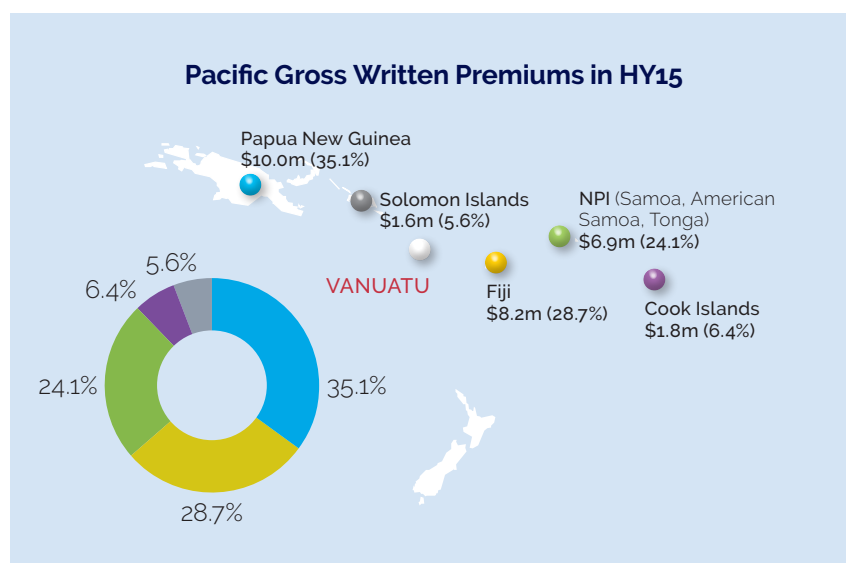
Mike Petrie, Country Manager Vanuatu, says the decision to begin operations in Vanuatu was driven by the same reasons that have been the basis for TOWER's success in other Pacific countries.

"Like other Pacific markets we have entered, there has been limited competition with one or two players typically dominating the market," Mr Petrie says.

"People are very interested in the news that there is a New Zealand insurance company opening its doors here. They've told us 'we really need you here, we need an alternative in the market.'"

Based in the capital Port Vila, the TOWER team will transact commercial and personal lines general insurance, through direct distribution as well as through brokers and Alliance partners.

Mr Petrie says TOWER's focus on improving the customer experience and the Group's strong solvency will also be welcomed by the locals as the length of time it takes to settle a claim



and the general responsiveness of insurers to their customers can also be an issue in this market.

TOWER has a high Net Promoter Score of 47 in the Pacific region overall, a key industry measure of customer satisfaction.

TOWER is also making major investments across the region to build on its strong brand reputation in the Pacific and ensure that its Pacific customers benefit from the company's edge in technological innovation. TOWER is developing its new core Pacific insurance platform and has launched new websites in Fiji, Papua New Guinea and the Solomon Islands. It has also launched a new alliance partnership in PNG, with early sales proving promising.

For his part, Mr Petrie, who has been with TOWER for 40 years, says he is excited about the challenges of setting up the TOWER general insurance model in a new market and helping people still recovering from Cyclone Pam in March. "I've always sought out challenges in my career and this is where I want to be."

### Pacific HY15 Results

- **Gross written premium up 14%**  
to \$28.5m
- **Underlying NPAT up 86.9%**  
to \$5.1m

### TOWER employees show their support for Vanuatu

TOWER staff in New Zealand recently showed their support for the people of the Pacific islands by raising money for the Vanuatu Red Cross Relief Fund and donating clothing at a special theme day following the devastation of Cyclone Pam. Staff were asked to wear their brightest Pacific Island colours.

# TOWER **strengthens** Board **and** Executive Team

TOWER has bolstered its Board and the ranks of the company's senior executives recently with key new appointments.

**Richard Harding**  
Chief Executive Officer

TOWER has appointed Richard Harding as its new Chief Executive Officer, effective 17 August.

Richard has almost 30 years' experience in the insurance sector in Australia and Asia. His previous role was as Chief Executive Officer of Territory Insurance Office, the leading general insurer in the Northern Territory of Australia. Prior to that, he served in senior roles at Insurance Australia Group (IAG) in Australia and China.

Richard's appointment follows an international search to replace David Hancock, who is concluding his two-year tenure with TOWER. Chairman Michael Stiasny acknowledged David's service to TOWER, saying he had delivered significant value to shareholders and demonstrated outstanding leadership during the company's transformation over the past two years.

Richard will relocate with his family from Darwin, Australia, to Auckland, New Zealand to fulfil his new role.

**Warren Lee**  
Independent Non-Executive Director

Warren Lee was appointed an independent non-executive director of TOWER in May 2015.

Mr Lee has extensive Australian and Asia Pacific experience in the finance and insurance sectors. He is the Chief Executive Officer of the Victorian Funds Management Corporation and has served in that role since 2012. Previously, Mr Lee spent 15 years in senior management positions at AXA Asia Pacific Holdings Ltd, which included the roles of Chief Financial Officer and CEO at AXA Australia and New Zealand.

TOWER Chairman Michael Stiasny says that Mr Lee's experience and counsel will be of great benefit to TOWER.

"Warren's appointment is a significant step in the ongoing evolution of the Board," he says.

**Brett Wilson**  
Chief Financial Officer

Brett Wilson, who took up the role of CFO in March 2015, has an impressive resume of CFO roles in financial services and insurance. He will draw on a full 20 years of experience in these sectors.

Mr Wilson joined TOWER from specialist financial services group Seniors Money International, where he was CFO and Company Secretary. Prior to this he was General Manager Finance for ASB and his extensive background in the insurance industry includes the General Manager Finance role at Sovereign and CFO at Metropolitan Life.

As CFO Mr Wilson is responsible for the Risk and Finance functions of TOWER, including Finance, Risk, Legal and Company Secretarial, Corporate Planning and Performance, Actuarial and Investor Relations.

**Glenys Talivai**  
GM Strategy and Performance

Experienced finance industry executive Glenys Talivai heads a new division at TOWER as General Manager Strategy and Performance. The role was created to ensure that there was an integrated approach to the implementation of TOWER's strategy and that its people and processes were working effectively.

"Now that we are a pure general insurer following the divestment of the life business last year, we want to ensure that our refreshed strategy unlocks the considerable untapped value of our brand and our people," Chief Executive Officer David Hancock says.

The new Strategy and Performance division is responsible for strategy analysis, business process improvement, people and performance and enterprise project management functions.

Ms Talivai is also responsible for the overall delivery of TOWER's earthquake recovery programme.

**Andrew Diver**  
Acting Chief Information Officer

A key role at TOWER given the importance of the company's digital strategy to drive innovation, efficiency and improvements in the customer experience is Chief Information Officer (CIO).

Seasoned IT executive Andrew Diver has been appointed to the role of Acting CIO.

Mr Diver brings his experience as CIO and Executive General Manager at Vero and has been involved in the insurance industry for 34 years, having held roles in New Zealand, Australia and the UK.

## Shareholder news

TOWER in June began a scheme which will see it buy back up to 17.6 million of its shares up to a maximum of \$34 million. It is expected to take place over 12 months and will conclude in June 2016.

The buy back, which will be undertaken on both the NZX and the ASX, is part of TOWER's capital management programme, which seeks to return capital to shareholders where it is appropriate to do so.

As at 28 July, TOWER had purchased 1,552,969 shares, returning \$3,376,801 to shareholders.

If you would like to participate in the buyback scheme you will need to contact your share broker. Given this is an on-market buyback, the shares need to be sold through a broker on either the NZX or ASX. TOWER cannot purchase shares directly from shareholders.

If you have any questions, please contact TOWER Investor Relations.

### Contact us

We would like to hear from you if you have feedback on our newsletter, suggestions for future news items or would like to be added to our mailing list. Please contact Investor Relations on +64 9 369 2000 or e-mail: [investor.relations@tower.co.nz](mailto:investor.relations@tower.co.nz)