**Tower HY22 Investor Presentation Script**

**Slide 1 – 2022 Half Year Results**

**Michael Stiassny**

Mōrena, good morning and thank you for making the time to join us for this investor call and presentation of our 2022 half year results.

**Slide 2 - Agenda**

With me in Auckland is our Chief Executive Officer, Blair Turnbull and our Chief Financial Officer, Paul Johnston who will take you through the results and answer your questions.

**Slide 3 – Chairman's update**

This half year for Tower is characterised by a strong business performance which is delivering returns to shareholders. The actions we've taken to address the inflation challenges of 2021 are working; the underlying business is strong; Tower remains well capitalised and well positioned for long term growth.

***Tackling the challenges***

The insurance industry is not alone in facing a number of pandemic-induced challenges including, inflationary pressures and supply chain issues. However, those issues are likely to be temporary; the biggest challenge we collectively face is how we help protect our world in the face of climate change.

At Tower, managing risks is what we do. We are committed to protecting both the things our customers love, and the interests of our shareholders for the long term.

We are acutely aware of the ways climate change is affecting our communities. Our data clearly shows the frequency of large events and the severity of the damage they cause increasing over time.

Large event costs over this half year were substantial. However, Tower's reinsurance programme provides protection from this volatility. The reality of climate change is that we continue to plan for increased large events both operationally and in our guidance.

Importantly, we have taken – and will continue to take – actions to future proof our underwriting capability.

Last year this included the introduction of risk-based pricing for inland flooding. A transparent and considered approach to communicating this change ensured it was well received by customers.

These substantial actions will continue to have an impact throughout FY22 and beyond.

***Strong and well capitalised***

Tower remains a resilient, strong and well capitalised business. We are mitigating risks from large event costs and inflation, and we are growing well.

Therefore, we affirm our full year guidance of between $21m and $25m underlying Net Profit After Tax (NPAT) and I am pleased to announce that based on Tower's ordinary dividend policy of paying 60-80% of cash earnings where it is prudent to do so, the Board has declared an interim dividend of 2.5 cents per share, to be paid on the 30th of June.

Tower's financial strength was reaffirmed at A-, excellent, last month by rating agency AM Best.

And in the last 12 months Tower has returned $51m to shareholders through dividends and a capital return.

We continue to look for value accretive investments that will deliver strong shareholder value. To that end, over the half we have purchased the minority interests in National Pacific Insurance and entered into an agreement to purchase a back book from Westpac.

***Positioned for long term growth***

Our unique technology and distribution footprint have positioned Tower well to continue delivering GWP growth.

It is clear that Tower is delivering on its strategy of innovation and growth. Our flagship Tower Direct business and unique partnership distribution capability continue to go from strength to strength.

The Pacific business has proven remarkably resilient through Covid and digitisation will lead to further improvements in efficiency and competitiveness.

Before I hand over to Blair, I'd like to acknowledge the Tower team. As we all recognise, it's been a particularly difficult period on many fronts. However, despite this, Tower is paying a dividend, we remain strong and well capitalised, and we have achieved sustained premium growth. This is a credit to Tower's solid strategy and the dedication of the people that implement it.

I'll now hand over to Blair and Paul, who will take you through the results and outlook before we take questions.

**Blair Turnbull**

**Slide 4 – Business update**

Kia ora, thank you Michael and good morning, everyone.

I am delighted to be here sharing our half year results for 2022 which see Tower in a positive position.

Today's results demonstrate the resilience of our customer and digitally led strategy. We are continuing to grow; to drive down expenses; and to respond quickly to the changing external environment.

Our technology and distribution advantage sets us apart from our competitors and affords strong long-term customer and premium growth prospects.

**Slide 5 – Our performance - good business performance, achieved through growth and efficiencies**

Tower has seen good business performance for the half year which has been achieved through strong growth and efficiencies.

Offering customers a simple and rewarding experience through our leading technology platform has helped grow Tower's Gross Written Premium for the half year to 31 March to $216 million, up 11% on the same period last year. Contributing to this was good customer growth, with Tower welcoming 18,000 new customers in the past 12 months.

As the Chair referenced, the decisive actions taken last year to address claims inflation are delivering results with Tower's BAU loss ratio being brought back to a more normal level of 48.6%, after reaching 52.1% in the second half of the 2021 financial year.

Disciplined cost control and further efficiencies have seen Tower's overall management expense ratio further improve by 1.3%, to 35.8%. This has been achieved in what is still a highly inflationary environment.

Reflecting our positive business performance, underlying NPAT excluding large events was $18.2 million, up 6.4% from $17.1m at the half year 2021.

Another half-year of unprecedented large events has seen a $17.9m impact, which Tower has planned for within our guidance and has actions in place to mitigate the effects on profitability at the full year. I will take you through these actions shortly.

These large event costs have contributed to our combined operating ratio increasing to 94.8% and a reported profit including large events of $3 million, down from $11.1 million in HY21.

**Slide 6 – Climate change – managing increasing large event frequency and severity**

Tower is proactively managing the increasing frequency and severity of large events that are linked to a changing climate.

As you can see in this graph the five-year rolling average of large event costs for Tower has increased by around $5m a year, compared to the ten year average.

We are continuously monitoring these trends and have important mitigations in place to help manage these risks – primarily through our risk-based pricing approach and our robust reinsurance programme which provides $20m of aggregate cover and up to $862m of catastrophe cover.

## Slide 7 – Outlook for second half – expecting continued business performance, large events impacts mitigated

For the second half we are expecting our sound business performance to continue.

We are growing both in customer and premium; we are controlling inflationary pressures on claims expenses well; and our increasing scale is continuing to deliver efficiencies.

We have also ensured Tower remains in the strongest possible position to continue protecting both our customers' and shareholders' interests via robust reinsurance.

Tower's reinsurance programme has been designed to reduce the volatility of large event costs. Under these arrangements, Tower pays the first $20m of large event costs in the year (which totalled $17.9m at the end of the first half) and reinsurance covers large event costs between $20m and $40m.

Tower's catastrophe cover is triggered by a single event of over $11.25m and covers us for up to $862m.

Large event costs of $20m have been planned for within the FY22 guidance range. This means that additional large events will not impact our full year guidance underlying NPAT unless the $20m aggregate reinsurance cover is exhausted.

Therefore we affirm our guidance of between $21m and $25m underlying NPAT including large events and as the Chairman mentioned, we are pleased to confirm an interim dividend of 2.5 cents per share.

Based on our full year profit guidance and subject to Tower's ordinary dividend policy of paying 60-80% of full year cash earnings where it is prudent to do so and all legal requirements being met, we anticipate a total dividend of 5.5 cents per share for the full year.

I will now get into the details of our performance this half.

**Slide 8 – Good core business performance**

Our business fundamentals continue to improve as we continue to grow, and our investments in our core technology platform and actions to control inflationary pressures continue to deliver efficiencies.

When taking into account the external factors of large events and net investment income, our core business performance has improved substantially, with underlying NPAT excluding large events and net investment income increasing 13% year on year to $18.9m.

Similarly, despite our combined operating ratio being impacted by large events this half, we continue to improve our operational performance with our combined operating ratio excluding large events reverting back to levels we have seen in prior years, before record inflation.

**Slide 9 – Consistent growth in customers and premium**

Offering customers a simple and rewarding experience through our leading technology platform and distribution model is delivering consistent growth in both customers and premium.

This has helped to grow Tower's Gross Written Premium to $216 million, up 11% on the same period last year.

This was achieved through a balanced mix of market premium ratings and attracting new customers to Tower, particularly in our Direct business which has seen 11% underlying GWP growth year on year.

Our total customer base grew 6% to 312,000 in the year reflecting improvements in customer satisfaction as evidenced by our Net Promoter Score increasing to 40% versus 34% in the prior year.

These new customers have been brought on board at a lower cost to acquire, at 11% of net earned premium, versus 12% in HY21.

**Slide 10 – Digitisation driving customer engagement and growth**

Our digitisation strategy is driving deeper customer engagement and growth as our platform continues to go from strength to strength recording 165,000 My Tower registrations in HY22, compared with 99,000 last year.

In the year the number of online quotes issued by the Tower Direct business grew by 41% versus HY21. This was helped in part by optimising our customer quote-to-buy journey last year to deliver the quickest insurance quote in the market.

The proportion of sales through our digital channels also showed year on year increases with 63% of Tower Direct's sales now digital, up 5% on this time last year.

This means customers are more engaged and buying more products from us online with 42% of our New Zealand sales going to existing customers and the proportion of My Tower customers holding multiple products increasing 8% year on year to 55%.

**Slide 11 – Expanding partnerships, driving scalable growth**

Our Partnership business is continuing to deliver positive growth as we transform from a more traditional, higher commission portfolio to a new generation of partnerships.

Partnerships GWP has increased by 13% year on year, largely driven by Trade Me and our advisory network.

Our renewed agreement with our cornerstone partner Trade Me is helping to scale our business faster than ever before with the partnership reaching a new milestone of 40,000 risks in force, an increase of 35%, thanks to the addition of new products like boat online.

And advisors are increasingly seeing the customer benefits in working with Tower - we have seen the growth of our network accelerate by 21% to 1,400 active advisors in this half alone.

We continue to attract new Partnerships and were pleased to welcome one of New Zealand's largest sellers of used car imports, NZ Automotive Investments Ltd, as a preferred insurance referrer.

We remain focused on solid growth opportunities with our partners such as the purchase of the ANZ legacy book last year and the acquisition of a book from Westpac in February 2022.

This time last year I noted that the full benefits of the ANZ buyout would flow through from the first half of the 2022 financial year. We are certainly seeing these results now with the migration contributing towards Tower's commission payments almost halving to 2.3% of gross earned premium. We expect further reductions in commission payments as we continue to scale.

**Slide 12 – Pacific digitisation delivering enhanced efficiencies**

We continue to focus on investing in Pacific digitisation to align our Pacific business more closely with our New Zealand operations and deliver enhanced efficiencies.

Our goal for 2022 is for Tower to offer a world class digital experience on one core leading platform for all our personal lines customers across New Zealand and the Pacific. We have taken several important steps towards this aim in the past year with the launch of our cloud-based technology platform in Fiji, Tonga, Vanuatu and Samoa. The full rollout is due to complete by the end of 2022.

This is already delivering benefits, whereby now in Fiji, some 88% of all new business is handled via our digital platform versus 23% in the prior year. And we have launched industry leading offerings like the ability to pay premiums online, an industry first in the Pacific.

Thanks to the technology and digital investments we have made in the past two years we are also achieving efficiencies. Our Pacific management expense ratio has dropped by 5% to 41% in the past year alone.

And following our acquisition of National Pacific Insurance we have begun rebranding NPI to Tower which will see us operating under one Tower brand across New Zealand and the Pacific by the year end.

We are also continuing to streamline our business: our domestic products in the Pacific are now aligned with our New Zealand suite and have been further rationalised from 33 products down to 13.

Our Pacific business remains resilient to the challenges posed by the riots in the Solomon Islands, the volcanic eruption and subsequent tsunami in Tonga and of course Covid, which has significantly impacted Pacific economies.

**Slide 13 – Disciplined, data-driven underwriting improving risk accuracy**

Core to our strategy is leading with a quality, innovative, balanced product range which enables us to deepen our relationships with customers, improve revenue and increase retention.

Underpinning this is our disciplined and agile approach to underwriting, enhanced through our use of data analytics.

This dynamic pricing and underwriting capability enabled us to quickly implement risk-based pricing for flooding in November last year, as we have already done with earthquake risks.

Tower is not only sharing flood risk ratings with all New Zealanders but using this data to align premium pricing more accurately with risk, which supports Tower's ability to manage our loss ratio.

To date we have transitioned around 70,000 customers to this new pricing model as their house insurance policies have come up for renewal. We plan to add other climate-related risks to our ratings tool in the coming year, including coastal inundation and erosion, and windstorm.

We are staying ahead of inflationary pressures by ensuring accurate sum insured amounts for our customers' homes. Now almost 100% of our house customers' policies are updated automatically either by the consumer price index or the Cordell calculator, compared to only 57% a year ago.

Our underwriting capability is becoming increasingly automated with 95% of risks in New Zealand now sold without requiring a manual underwriting review.

And we are continuously monitoring our pricing to ensure we stay both competitive and profitable. Our agility and data-driven capabilities have enabled us to make more than 70 pricing and underwriting adjustments in the year.

**Slide 14 – Decisive actions to address claims inflation are delivering**

In 2021 we identified emerging challenges related to supply chain issues and inflation and quickly took a number of decisive actions.

As evidenced through our BAU claims ratio now returning to more normalised levels, these actions are delivering improvements.

Our digital capability to streamline the claims lodgement process has seen the number of New Zealand claims lodged online increase 16% to 48%.

By working with suppliers to optimise our supply chain we are seeing efficiencies with 76% of New Zealand motor repairs now being completed by our preferred supplier network.

A new feature launched this month will allow us to further automate the process of detecting genuine and suspicious claims in real time, to allow for a faster process for customers and more accurate screening.

**Slide 15 – Improving MER through platform efficiency**

With My Tower weekly log-ins growing by 80% year on year and more than half of all tasks and transactions in New Zealand now completed digitally, the customer and efficiency benefits from our leading digital and data technology platform are being realised.

We remain focused on decommissioning legacy systems and anticipate just two remaining by the end of 2022.

This focus on platform efficiency has seen our management expenses continuing to trend downwards with our MER improving a further 1.3% to 35.8% over the year.

**Slide 16 – Strong capital & solvency, delivering shareholder returns**

Our strong capital and solvency position saw us return $30.4m of excess capital to shareholders in the half.

We were pleased to see this strength acknowledged last month by rating agency AM Best which reaffirmed Tower's financial strength rating at A-, excellent.

Our New Zealand parent solvency ratio is 210%, which is $72.2m above our minimum solvency capital after the 2.5 cent dividend is paid.

I will now hand over to our chief financial officer, Paul Johnston who will take you through the details of the financials.

**Slide 17 – FY21 financial performance title slide – Paul Johnston**

Thank you, Blair and good morning, everyone.

**Slide 18 – Group underlying financial performance**

Looking at the consolidated results, we can see that growth in GWP continued to be a highlight, up $22.2m, or 11%, on HY21. Reinsurance expense increased

$5.2m following adjustment to aggregate sums insured and higher aggregate reinsurance. The net of these two resulted in a pleasing increase in Net Earned Premium of $6.6m on HY21.

Encouragingly, management expenses as a percentage of NEP were down 1.3% from 37.1% in HY21 to 35.8% as benefits of the EIS platform and our increasing scale continue to be realised. In addition, we released the Liability Adequacy Test provision implemented in September 2021 as expectations about future policy administration expenses have reduced.

Net commission expenses also decreased by $3.4m, driven by both the acquisition of the ANZ portfolio and an increase in proportional reinsurance profit share.

Investment income continued to be a detractor, down $1.4m.

Underlying NPAT before large events increased 6.4% to $18.2m, demonstrating strong business performance.

The timing of large event costs saw a $17.9m pre-tax impact on the half year resulting in Underlying NPAT of $5.4m, down $5m, or 48% on HY21.

After adjusting for non-underlying items, reported NPAT was $3m, down 73% on HY21. Contributing to this was a Canterbury Earthquake valuation increase of $2.3m after tax.

**Slide 19 - Underlying NPAT impacted by large events**

As previously noted, Underlying NPAT of $5.4m is $5m below HY2021.

The main driver of this reduction was timing of large event costs of $17.9m in H1 2022 as I have just mentioned. This was an increase on H1 2021 of additional large event costs of $8.6m ($6.2m after tax).

Reduction in net investment income of $1.4m ($1m after tax) also contributed to the decrease in earnings.

A $2.6m increase in expenses includes the ANZ purchase amortisation and an increase in staffing costs due to wage inflation and an increase in growth and regulatory compliance initiatives.

Positive business growth underpinned by 11% increase in GWP along with a $2.5m after tax reduction in commissions from the ANZ back book purchase helped to offset these impacts.

**Slide 20 – Steady BAU claims ratio in a challenging environment**

As Blair has said, we have taken positive actions to address the rapidly accelerating inflationary pressures we identified last year.

While inflationary pressures continue to pressure the cost of fulfilling claims, our BAU loss ratio highlights that we have taken appropriate rating actions to prevent profit erosion.

Frequency and severity are the two key components of total claims costs.

The severity charts show both average motor and house claims have continued to increase since the 2021 half year and are up 12% and 7% respectively.

Frequency of motor claims is slightly down due to the lockdown we saw at the start of the half and house claims frequency is relatively flat year on year.

Tower has applied premium increases across motor and home to offset inflation and continues to work closely with supply chain partners to moderate the impact on customers as much as possible.

Our new artificial intelligence-based anti-fraud tool is expected to further improve our claims ratio. By identifying and separating claims with a high risk of fraud, it will standardise and further speed up claims screening at greater accuracy.

**Slide 21 - Continued focus on management expenses**

We are pleased to see our management expense ratio continue to reduce with an improvement over the year of 1.3% to 35.8%.

While management expenses increased in absolute terms by $3.6m before tax to $57.6m from $53.9m in HY21, this was due to increased investment in marketing and projects aimed at driving GWP; increased staff costs, and increased amortisation due to the acquisition of the ANZ portfolio.

The increase was offset by positive growth in GWP, a decrease in net commission expenses due to the purchase of the ANZ portfolio, and an increase in reinsurance profit share income in HY22.

In addition, the liability adequacy test provision made at 30 September 2021 resulted in the release of an additional $2.1m this half as we reduced our expectations of future policy administration costs.

**Slide 22 - Robust reinsurance programme supports resilience**

The timing of several large events has challenged reported profit in the first half with $17.9m of large event costs incurred so far during the year. This includes $7.6m from the volcanic eruption and tsunami in Tonga, $3.6m from Cyclone Dovi, and $6.7m from the North Island Rainstorms.

Our robust reinsurance programme provides protection from volatility caused by large events.

Under our aggregate reinsurance cover, Tower pays the first $20m of large event costs as an excess, and reinsurance pays the next $20m, up to $40m total. The cost range for a large event is between $2m and $10m.

We planned for the full use of the $20m large event excess in our FY22 guidance. Given we are currently at $17.9m, we expect to incur $2.1m of large event costs in the second half with reinsurance covering any additional large event costs up to $40m. It should be noted that the setting of an excess at $20m implies reinsurers on average expect that level to be exceeded one in every three years.

Our FY22 reinsurance cover also includes catastrophe cover of $862m, once Tower has paid the first $11.25m of claims under a catastrophic event.

**Slide 23 – Investment strategy limits impact of volatility**

Net investment income in HY22 was further reduced with losses of $0.9m before tax compared with income of $0.4m before tax in HY21.

This was driven by increases in interest rates as Tower's portfolio was revalued to market values, however these losses are expected to be recovered through higher yields as the portfolio matures. As evidenced by the running yield on the core investment portfolio increasing to 2.45% at the 31st of March 2022 (from 1.32% at 30 September 2021).

Tower maintains a conservative investment policy with a focus on high credit quality and liquidity bonds, and a target duration for the core investment portfolio of six months.

Our strategy has mitigated the impact on our profit from macroeconomic factors and market movements.

**Slide 24 - Canterbury earthquake claims a continuing challenge**

We continue to settle open CEQ claims with 22 closed over the half.

However we received an additional 24 new overcaps and reopened claims, bringing the total number of open claims at the 31st of March to 35. This was a net increase of 2 from a total of 33 as at the end of September 2021, but still a material decrease from a total of 43 as at the end of March 2021.

The number of new overcaps and reopens reflects the complexity of long term claims as we are now down to the tail of our CEQ Claims. The expected cost for several of these has increased in HY22, driven by both inflation and more costly rectification approaches. As a consequence:

1. HY22 has seen an adverse P&L charge of $3.2m before tax in Non-underlying Items, reflecting these increases in expected claims costs.
2. The remaining Gross Outstanding Claims provision is $22.3m, which includes a risk margin of $4.9m.

These outstanding claims continue to be closely managed.

**Slide 25 - Strong capital and solvency position**

In the last 12 months Tower has returned dividends of $21.1m and a capital return of $30.4m. As a result of these payments to shareholders, Tower's surplus capital has decreased.

However, with a solvency ratio of 224% as at 31 March, before any allowance for future dividends, it is clear that Tower remains in a strong capital and solvency position and we will be paying an interim dividend of 2.5 cents on 30 June, 2022.

This strong capital position also provides Tower with sufficient capital to continue to invest in opportunities and initiatives that will provide accelerated growth and increased efficiency.

The Tower Board sets a target solvency margin above minimum solvency capital that is reviewed quarterly. Above this target solvency margin is a target operating range.

As at 31 March, 2022, and after allowing for the 2.5c dividend, Tower NZ Parent's total Available Solvency Capital was $15.8m above the target solvency margin, which provides a solvency ratio that is 210% of MSC.

**Slide 26 – Full year guidance unchanged**

Tower continues to anticipate underlying NPAT of between $21m and $25m for FY22.

This range is based on the assumed utilisation of the full $20m excess of the aggregate programme. It represents a $4.4m after tax increase in the impact of large events when compared to FY21. Additional large events will not impact NPAT unless the $20m aggregate reinsurance cover is exhausted.

As we have said, Tower will pay a half year dividend of 2.5 cents per share. Tower's dividend policy is to pay out between 60-80% of "cash earnings", defined as the reported full year Net Profit After Tax plus acquisition amortisation and unusual items, where prudent to do so. While the proposed dividend is greater than this range, based on first half cash earnings only, Tower expects to be able to pay a full year dividend of 5.5 cents a share in total based on the forecast full year profit, while remaining within the 60-80% range. Accordingly, the Board considers that a 2.5 cents per share dividend in the first half is prudent.

The record date is the 16th of June 2022 with the payment date being the 30th of June, 2022.

**Slide 27 – Looking forward**

Thank you. I will now hand back to Blair who will provide an update on our outlook.

**Blair Turnbull**

Thank you, Paul.

**Slide 28 – Committed to fair and transparent insurance services**

Key to our strategy is a relentless focus on our customers, deepening our relationships with them through rewards, new products and other offerings that make sense and drive value.

We are acutely aware that we must earn the right to do this by building trust through fair and transparent insurance services.

We know from our customer research that insurers traditionally do not make things easy for customers; only a quarter of Kiwis told us that they are confident they have the right cover for all their risks.

We want to change this.

75% of people surveyed also told us that transparency of information is one of the most important factors for decision making when selecting an insurance provider.

Transparency is also important to us.

That's why, when we changed our approach to pricing for flood risks last year, we launched a public tool which gives anyone, regardless of whether they're a customer or not, a simple risk rating for their residential home's earthquake and flood risks.

Through My Tower we have also raised the benchmark around open and transparent pricing for customers. By presenting visual breakdowns of customer premiums in a simple chart customers can easily compare year on year changes for the various pricing elements.

When the upcoming change to the EQC cap is implemented in October we will include this in our pricing breakdowns so customers can see for themselves how the reshaped government levy will impact their individual pricing.

**Slide 29 - Tackling labour market challenges via our unique footprint and culture**

A key challenge for New Zealand businesses today is the tight labour market. We are in the fortunate position of continuing to attract high calibre talent for our positions and we were pleased to have welcomed both our CFO Paul Johnston and Chief Claims Officer Steve Wilson to Tower in January.

However we are not complacent and we are committed to tackling labour market challenges by leveraging our unique Pacific and New Zealand footprint, and having a fantastic staff culture with high engagement.

Our investments in digital technology are increasingly enabling us to move workflows across our Suva, Rotorua and Auckland operations centres, which also give us access to talent in these markets.

We are offering high quality roles in the Pacific and in Rotorua where our people appreciate the opportunity to progress their careers into senior roles while living in their own communities.

This operational diversification enables us to manage workflow spikes and business interruption.

At Tower, we understand that our people are the ultimate drivers of our success, and we pride ourselves on putting our people first. We believe in investing in a diverse, inclusive culture where everyone can contribute and feel valued.

This is reflected in the day-to-day operations at Tower, and it is now at the very core of our refreshed values which we launched in February.

Alongside our enhanced flexible working practices, we are launching a refreshed recognition programme and a range of attractive new benefits in June.

On International Women's Day, the 8th of March, along with other top corporates, we became a signatory to New Zealand's first pay gap registry, Mind the Gap, and we now disclose our gender pay gap on our website.

New Zealand's gender pay gap has remained at the 9% range for the past few years, according to Statistics New Zealand.

In 2021, Tower's New Zealand gender pay equity gap was -1.4%, which shows that women are paid 1.4% more than men for the same role. Within our senior leaders, men are paid 1.8% more than women.

This data shows that we've achieved near-equality in how women and men are paid for doing the same work.

However, we are only at the start of this journey and there is still work to be done.

Over the coming months we will be working to further strengthen our gender pay gap transparency and actions by incorporating data from our teams in the Pacific. Another important focus will be to understand our pay equity position for our Māori and Pasifika team members.

We are proud to be a diverse business and are committed to doing more to support transparency, fairness and equity for all our people.

All of this has contributed to our employee engagement scores continuing their positive trend upwards in HY22 to 79%, a 6% year on year increase.

**Slide 30 – Supporting communities through climate change**

Last year we started our sustainability journey with the development of a strategy that guides how Tower manages its environment, social and governance issues.

Further to our commitments to offering fair and transparent insurance services and supporting communities through climate change, we enhanced our home offering last year with a new sustainability benefit which contributes $15,000 to sustainable products for a total rebuild.

By the end of 2022 we will also launch a pilot of a new parametric insurance product aimed at supporting Pacific resilience.

We are also keeping pace with our customers' lifestyles and expectations around environmental concerns by innovating our products to cover electric vehicles, e-bikes and e-scooters. This has resulted in sales of policies for EVs growing by 60% in the past 12 months.

In the coming weeks we will also present our Go Carma customers with personalised carbon usage data, based on their vehicle type and driving style.

And this year we are pleased to award two scholarships to students of the world-first Bachelor of Climate Change studies degree at the University of Waikato.

In FY21 our carbon emissions totalled 378 tonnes of $CO_2$ equivalent, having reduced 31% year on year primarily due to lower emissions from travel from Covid -19 restrictions. We are committed to taking the lessons from the past two years of remote working and have set a science-based target to reduce our scope 1 and 2 emissions by 21% by 2025.

Tower supports mandatory reporting requirements for sustainability and climate change issues, which will help increase transparency around what actions are being taken by businesses to prepare for these risks and increase the resilience of our communities and the economy.

We will present our sustainability reporting in this year's annual report and are currently preparing for the introduction of the External Reporting Board's Climate-related Disclosures regime which comes into effect from 2023.

**Slide 31 – Continuing to invest in efficiency and growth**

As we invest in our customers, communities and our people, Tower is continuing to invest in initiatives that will bring attractive long-term growth and efficiencies to deliver shareholder value.

Following the completion of our digital transformation, the mix of our spend has moved from focusing on our technology platform, systems and regulatory compliance towards customer acquisitions and growth, reflecting the maturity of our technology transformation.

Our investments in leading technology partnerships like EIS, Oracle and Friss are enabling the business to be increasingly nimble in responding to challenges and capitalising on opportunities. And we expect these opportunities to continue to scale as we complete our digital roll out in the Pacific.

Meanwhile as we become more agile and responsive in anticipating customers' needs new technology releases continue to trend upwards as we delivered 134 releases this half versus 96 in the previous six months

We continue to seek opportunities to invest in further sensible and prudent investment opportunities such as insurance portfolios that allow us to scale and reduce commission payments.

And we are investing in our enhanced sales capability with our automated marketing platform already sending 1.5m personalised cross-sell messages since its launch this half.

**Slide 32 – Well positioned to continue delivering dividends and growth**

It's clear that while the first half of the 2022 financial year has seen increased large events, Tower's business performance has been strong. And we have delivered customer and premium growth while further improving our management expenses.

Tower is a well-capitalised business with a strong balance sheet and solvency margins and we are delighted to have returned $51m to shareholders in the form of dividends and a capital return.

In the coming second half of FY22, our focus is on continuing our solid underlying operating performance and achieving positive customer outcomes and growth.

We will do this by deepening our customer relationships through digitisation; our innovative partnership model; and by modernising our Pacific business.

We continue to focus on claims inflation and enhancing claims processes while driving efficiencies through our scalable digital platform and focus on expenses.

We remain committed to delivering positive returns to our shareholders through continued dividends and accelerating growth.

Thank you for your time this morning, I will now hand back to the operator to ask for questions.