

23 November, 2022

### **Strong business performance drives positive result for Tower**

Kiwi insurer, Tower Limited (NZX/ASX:TWR) has today announced full-year underlying profit including large events was \$27.3m, up 31% from \$20.8m for the full-year 2021. Reported profit was \$18.9m, compared to \$19.3m in the prior year.

#### **Summary of key underlying results:** (See note 1 below)

- Gross written premium (GWP) \$457m, up 13% on FY21
- Customer numbers increased 5% to 319,000
- Management expense ratio (MER) improved to 36% vs 37% in FY21
- Large event costs \$19m vs \$13.9m in FY21
- Combined operating ratio (COR) 90.1% vs 91.4% in FY21
- Underlying net profit after tax (NPAT) excluding large events \$41m vs \$30.8m in FY21
- Underlying NPAT including large events \$27.3m vs \$20.8m in FY21
- Reported profit including large events \$18.9m vs \$19.3m in FY21

Reported profit was impacted by a \$5.5m after tax additional strengthening of the residual Canterbury earthquake provision and a provision of \$2.6m after tax for customer remediation.

Reflecting the positive FY22 results and based on Tower's ordinary dividend policy, the Board has declared a final dividend of 4 cents per share. This brings total dividends for FY22 to 6.5 cents per share, compared to 5 cents in FY21.

#### **Strong growth and business performance**

Tower CEO, Blair Turnbull says, "This strong result is underpinned by our strategy of delivering simple and rewarding customer experiences combined with our advanced technology and digital and data capability.

"The decisive actions taken to combat record inflation, global supply change blockages, and increasing frequency and severity of large events together with consistent growth and strong underlying business performance, have delivered a strong result for shareholders."

Growth in both premium and customer numbers has continued in FY22 with GWP increasing 13% year on year to \$457m, customer numbers rising 5% to 319,000, and retention rates improving.

The flagship Tower Direct business has also performed well with GWP up 17% to \$320m as Tower continues to innovate to build rewarding and engaging relationships with customers.

Mr Turnbull says, "Our digitisation strategy is delivering on its promise. It has simplified purchasing and managing insurance policies and making a claim on one user-friendly online platform."

My Tower registrations are up 51% to 200,000 customers.

Tower's core platform has now been rolled out across seven Pacific countries, supporting a return to growth with GWP up 8% to \$58m.

Tower's Partnerships business also increased GWP from active partners by 35% to \$54m. Tower has attracted new partners over the year securing agreements with Ray White and Kiwi Advisor Network. Fair and transparent

commission terms and legacy book acquisitions have resulted in commission payments reducing to 2.2% of gross earned premiums.

Disciplined cost control and improved efficiencies through increasing scale saw overall MER improve to 36% versus 37% in FY21. The company's actions to address claims inflation have seen the BAU claims ratio reduce to 48.9% compared to 50.2% in FY21.

### **Supporting customers through climate change and large events**

Mr Turnbull says, "It's clear that supporting customers and communities through the increasing impacts of climate change is our most important challenge as a New Zealand and Pacific insurer."

Large events comprised \$19m in claims costs for the 2022 financial year compared to \$13.9m in FY21. These included the one-in-a thousand-year Tongan volcanic eruption and subsequent tsunami, and multiple storms and floods across New Zealand.

Tower continues to take decisive action to address the increasing severity and frequency of extreme weather events. This includes future proofing its underwriting capability by expanding risk-based pricing to inland flooding in FY22 and coastal hazards in FY23. For the 2023 financial year Tower has increased its perils allowance by 50% to \$30 million. The successful renewal of Tower's reinsurance programme with \$934m of catastrophe cover will also provide important protection from this volatility.

1. A reconciliation of underlying results to Tower's reported profit after tax, as prepared in accordance with Generally Accepted Accounting Practice (GAAP), is shown in the Company's FY22 Investor Presentation (slide 28).

### **ENDS**

This announcement has been authorised by Tower CEO, Blair Turnbull.

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