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Incorporated in New Zealand

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### **Tower records sound half year result, restarts dividend payments and reinforces positive long-term growth**

Kiwi insurer, Tower Limited (NZX/ASX:TWR) has today reported half year profit of \$12m, down from \$14.9m for the half year 2020. Underlying profit before large events was \$18m, 5% lower than the prior year.

Positive growth and ongoing reduction in management expenses have been offset by several factors that Tower has taken decisive action to address. These include an increase in large events and large house claims, rising building costs, and lower investment income.

The large events comprise a \$9.3m impact before tax, up from \$2.8m in HY20, and included the large fire at Lake Ōhau village and severe flooding in Napier in late 2020.

Recognising increasing house claims cost and reducing investment income, Tower has revised its underlying net profit after tax FY21 guidance to a range of \$25m to \$27m, assuming large events of \$9.7m.

Tower's technology and distribution strategy continues to deliver growth with the insurer increasing gross written premium (GWP) by 6% to \$194m over the six months to 31 March. This was achieved despite the Pacific business declining 16% primarily as a result of economic challenges related to Covid-19. Tower's flagship Direct business grew 14% and its Partnership business grew by 3% over the period. New Zealand personal lines market share increased to 9.3% from 8.6% in HY20.

Disciplined cost control and improved efficiencies have seen Tower's overall management expense ratio (MER) improve to 36.5% versus 39% in HY20, with its Tower Direct business improving MER to 31%.

### **Tower is well capitalised and confirmed its first dividend in five years**

Tower confirmed a dividend of 2.5 cents to be paid on 14 July, reflecting resolving legacy issues and consistent growth. Under Tower's dividend policy, the full year guidance would equate to an approximate full year dividend payment in the range of 5 cents to 5.5 cents per share.

As at 31 March Tower's (New Zealand Parent) solvency ratio was 309% and the company was holding \$97m above the regulatory solvency requirement.

### **A focus on claims and supply chain**

Tower CEO Blair Turnbull says the company has performed well in a number of key areas and these will continue to improve as Tower progresses its technology and distribution strategy. At the same time Tower is proactively addressing factors that have impacted profits this half.

The frequency of large house claims (claims totalling more than \$50,000) has doubled to 52 large house claims totalling \$9m in the first half compared to 26 large house claims worth \$4.9m in the corresponding period of FY20. Over the past year the average cost of house claims has risen 8% to \$4,620 per claim reflecting rising building costs.



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Turnbull says, “Tower’s investments in technology mean we are well placed to respond rapidly with rating and underwriting actions to address these challenges. We have commenced a review of our FY21 claims experience and will also work with our supply chain to realise efficiencies and manage increases in claims costs.

“These actions will take time to gain traction, however we expect to begin realising benefits in the second half,” he said.

#### **Premium growth through new unique partnerships and product innovation**

CEO Blair Turnbull says in the last six months Tower has announced a number of partners to diversify and grow the business’ distribution footprint. These include new commercial relationships with New Zealand Defence Force (NZDF) and Auckland Council, as well as CSC Buying Group and insurtech start-up, Sentro.

This week Tower announced it will underwrite Australian insurance start-up, Huddle’s entry to New Zealand to bring scalable growth for the company along with a unique offering to Kiwis.

Tower has signed an agreement with one of the world’s largest insurers, Allianz Partners to introduce new products including travel and pet insurance to our customers. This will support revenue growth and retention. Tower also expanded its cover over the half to include growing markets such as electric vehicles, e-bikes and e-scooters and is digitising its online boat experience.

#### **MyTower driving customer engagement and efficiency**

The MyTower digital platform has performed strongly during the half. More than 100,000 customers are now registered on Tower’s flagship offering.

Turnbull says, “We have a technology advantage and a data focus which sets us apart from our competitors and affords strong long-term growth prospects. Our cloud-based, digital platform enables us to scale quickly as we acquire new business and migrate customers to our advanced technology.

“As a business we have shed our legacy issues and we are acting decisively to address emerging external pressures. Tower ends this half year in a very solid capital and solvency position with a strategy to deliver sustainable shareholder value.”

#### **ENDS**

This announcement has been authorised by the Tower Board.

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