

25 May, 2023

Tower Reports Half Year Results

Tower Limited (NZX/ASX: TWR) has today announced its half year results reporting improved revenue growth and expense control, with profits impacted by catastrophic weather events. For the half year to 31 March 2023, the insurer recorded an underlying loss including large events of \$3.3m versus profit of \$5.4m in the 2022 half year, and a reported loss of \$5.1m versus a \$3m profit in HY22.

Summary of key HY23 results:

- Gross written premium (GWP) \$245m, up 15% on HY22
- Customer growth up 5% to 320,000
- Business as usual (BAU) claims ratio 51.6% vs 48.6% in HY22
- Management expense ratio (MER) improved to 35.1% vs 35.8% in HY22
- Underlying net profit after tax (NPAT) excluding large event costs \$23.6m vs \$18.2m in HY22
- Large event costs \$33.9m vs \$17.9m in HY22
- Combined operating ratio including large events (COR) 105.3% vs 94.8% in HY22
- Underlying loss including large events \$3.3m vs \$5.4m profit in HY22
- Reported loss \$5.1m vs \$3m profit in HY22, including strengthening of the residual Canterbury earthquake and multi-policy discount remediation provisions, partially offset by the sale of Tower's Papua New Guinea subsidiary and its building in Suva.

Tower CEO, Blair Turnbull says, "Investments in technology, operational efficiencies and robust reinsurance continue to underpin Tower's resilience and ability to address external challenges. We are proactively managing climate related weather impacts through risk-based pricing and product innovations, keeping pace with inflation via targeted rating and underwriting actions and addressing increasing vehicle theft with rating and excess changes.

"Tower continues to grow both premium and customer numbers while reducing our expense ratio. We expect to deliver a full year profit along with sustainable long-term growth in revenue and earnings," he says.

Working efficiently to manage catastrophic events

Approximately 30% of claims for the Auckland and Upper North Island weather event and Cyclone Gabrielle, and 5% of claims for Cyclones Judy and Kevin in Vanuatu have been completed and Tower is working efficiently to settle the remainder. These events are predominantly covered by reinsurance. The cost to Tower for each of the New Zealand catastrophe events is limited to an \$11.9m excess, while the estimated cost of the Vanuatu cyclones is \$10m net of reinsurance recoveries.

Acknowledging the change in risk environment, Mr Turnbull says, "Now more than ever it is critical that New Zealand maintains a strong insurance industry for the future. Tower remains focused on careful risk selection and risk-based pricing, which is a fairer way to price insurance as customers only pay for the risks that apply to their property."

In 2023 Tower will expand its risk-based pricing model to include landslide and coastal hazards. Advanced selection for landslide risks is already in place across New Zealand.

Investments in digital technology and data delivering targeted growth and efficiency

Strong rating actions combined with organic growth have delivered GWP growth of 15% year-on-year to \$245m.



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Tower's customer-facing digital sales and service platform, My Tower, has now been launched in seven Pacific countries, contributing to My Tower registrations increasing 44% to 237,000 in the past year.

Improving efficiencies as digitisation continues to drive down Tower's costs to acquire and serve customers along with continued focus on cost control has seen overall MER improving to 35.1% versus 35.8% in HY22.

Increasing motor theft and a higher frequency of motor claims post-Covid have contributed to an increase in the BAU claims ratio to 51.6% compared to 48.6% in HY22.

Looking forward

Following a storm in Auckland on 9 May, which is expected to be a large event with costs in the range of \$4m to \$6m, Tower has between \$10m and \$12m large events allowance remaining in the second half.

Tower has now successfully completed the reinstatement of its reinsurance arrangements providing important protection from the volatility of large events. Tower has cover for any potential third and fourth catastrophe event up to \$889m in the financial year.

Tower's full year underlying NPAT guidance remains between \$8m and \$13m, assuming full utilisation of the \$50m large events allowance. GWP guidance is between 15% and 20% reflecting organic growth and a strong rating response to address inflation, rising reinsurance premiums and higher motor claims costs.

Tower will not pay an interim dividend. A decision on a full year dividend will be made when Tower's full year results are finalised.

ENDS

This announcement has been authorised by Blair Turnbull, Chief Executive Officer, Tower Limited.

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