

**Market Information**

NZX Limited

Level 1, NZX Centre

11 Cable Street

Wellington

New Zealand

**Company Announcements Office**

ASX Limited

Exchange Centre

Level 6, 20 Bridge Street

Sydney NSW 2000

Australia

26 May, 2022

**Strong growth and efficiencies drive improved business performance***Tower maintains guidance and announces half-year dividend*

Kiwi insurer, Tower Limited (NZX/ASX:TWR) has today reported half-year underlying profit excluding large events of \$18.2m, up 6.4% from \$17.1m at the half-year 2021. Reported profit including large events of \$17.9m was \$3m, compared to \$11.1m in the prior year.

**Summary of key results:**

- Gross written premium (GWP) \$216m, up 11% on HY21
- Customer numbers increased 6% to 312,000
- Management expense ratio (MER) improved to 35.8% vs 37.1% in HY21
- Large event costs \$17.9m vs \$9.3m in HY21
- Underlying net profit after tax (NPAT) excluding large events \$18.2m vs \$17.1m in HY21
- Underlying NPAT including large events \$5.4m vs \$10.4m in HY21
- Combined operating ratio (COR) 94.8%, increased 3.9%
- Reported profit including large events \$3m vs \$11.1m in HY21

Tower maintains its full year guidance of between \$21m and \$25m underlying NPAT and the Board announces a half-year dividend of 2.5 cents per share.

**Strong business performance**

Tower's operational business performance has improved over the half through positive growth, improved efficiencies and effective management of inflationary pressures.

Tower CEO, Blair Turnbull says, "By building deeper, more engaging relationships with customers Tower is experiencing consistent growth in both premium and customer numbers year-on-year. Our digitisation and distribution strategy focused on simple and rewarding customer experiences has seen us welcome another 18,000 customers to Tower and increase GWP by 11% to \$216m."

Disciplined cost control and improved efficiencies through increasing scale saw Tower's overall MER improve to 35.8% versus 37.1% in HY21. Supporting these improvements was Tower's investment in digitising its Pacific business where MER dropped 5% compared to HY21.

The decisive actions taken last year to address claims inflation are also 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 FY21 year.

Turnbull says, "Tower is continuing to leverage our unique direct model and scalable technology platform to provide simpler and easier experiences for customers along with efficiencies for the business."

Tower's transformed Partnerships business contributed to commission payments nearly halving year-on-year to 2.3% of gross earned premium.

#### **Mitigating climate-related and other large events volatility**

Large event costs over the half-year were substantial, totalling \$17.9m, up from \$9.3m in the prior year. This includes \$7.6m from the eruption of Tonga's Hunga Tonga–Hunga Ha'apai volcano and subsequent tsunami in January; \$3.6m from February's Cyclone Dovi in New Zealand; and \$6.7m from the significant rainstorms that swept through the North Island in March.

Tower's reinsurance programme has been designed to provide protection from the volatility of large event costs. Under these arrangements, Tower pays the first \$20m of large event costs in the year (currently totalling \$17.9m) and reinsurance covers the next \$20m, up to \$40m. Tower's catastrophe cover is triggered by a single event of over \$11.25m.

Large event costs of \$20m have also been planned for within the FY22 guidance range.

In November last year, Tower commenced risk-based pricing for flooding with the aim of assisting customers to better understand their risks from flooding while more accurately matching insurance pricing to risks. To date Tower has transitioned around 70,000 customers to this new pricing model as their house insurance policies have come up for renewal. Tower plans to add other climate-related risks to its ratings tool in the coming year including coastal inundation and erosion, and windstorms.

Turnbull says, "Tower is acutely aware of the ways climate change is increasingly affecting our communities. We are responding. By expanding our risk-based pricing policies and focusing on a high quality reinsurance programme, we ensure Tower remains in the strongest possible position to continue protecting both our customers' and shareholders' interests."

In the last 12 months Tower has returned \$51m to shareholders through dividends and a capital return. As at 31 March, Tower New Zealand parent's solvency ratio was 210% after the declaration of an interim dividend, and Tower was holding \$72.2m above its minimum solvency capital.

#### **ENDS**

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

For media enquiries, please contact in the first instance:

Emily Davies

Head of Corporate Affairs and Reputation

Tower Limited

Mobile: +64 21 815 149

Email: [emily.davies@tower.co.nz](mailto:emily.davies@tower.co.nz)