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## **BUSINESS PERFORMANCE UPDATE**

Tower Limited (NZX/ASX: TWR) advises that the transformation of the Kiwi insurer into a digital challenger brand is well advanced, with positive trends seen in key areas.

Business performance in the four months to 31 January 2019 is in line with expectations and while only four months into the financial year, pleasingly, momentum is continuing.

### **Focus on customers delivering growth**

Tower continues to grow thanks to an ongoing push to offer customers a unique, home-grown choice for insurance, with Gross Written Premium in Tower's core New Zealand book increasing 7.9% in the four months to 31 January 2019, compared to the same period last year.

### **Improvement in claims ratio**

Ongoing enhancement of Tower's underwriting and pricing has delivered positive improvements in the mix of business being written, as well as the claims ratio.

Improvements are offsetting inflation, and in the four months to 31 January 2019, Tower's claims ratio, excluding large loss events, has reduced to 43.8%, from 52.3% in FY18.

### **Pacific contributions and management expenses in line with expectations**

In the Pacific, growth in core markets and a benign weather environment has resulted in the contribution of this part of the business returning to historic levels

Despite accelerating activity in the business, management expenses remain steady.

Tower continues to make progress in Canterbury with open claims reducing from 163 to 138.

### **No change to guidance**

There is no change to Tower's FY19 guidance of underlying NPAT in excess of \$22m, noting that this guidance assumes the \$10m aggregate reinsurance excess for large events will be fully utilised.

### **Major tech upgrade will be delivered in 2019**

70% of Tower's technology build is now complete with the development and build of phase 1, including new business, digital interfaces and telephone and customer communication systems, now achieved. Testing is currently underway and indicating positive outcomes, with new business and other phase 1 components to be live from the first half of the 2019 calendar year.

Based on the success achieved to date, Tower has also extended the scope of its programme to ensure a number of its key partners can also take advantage of new technology.

Tower has undertaken a review of the implementation approach and has prudently decided to reduce the risk associated with the concurrent delivery of multiple streams and phases at the same time. Tower has pushed out delivery of the second phase of supporting components to the second half of 2019.



This phased approach will see all new system components, including those in the extended scope, launched by the end of the 2019 calendar year, along with an increased focus on managing and retaining customers through this change.

As a result of phased implementation, risk associated with the delivery of the technology upgrade and migration of customers to the new platform has been reduced. Along with the extended scope, Tower currently estimates total costs to be higher than the Board's approved investment of \$38.5 million, including contingency, at \$45 million.

Information provided in this update is based on Tower's unaudited management accounts as at 31 January 2019. Tower's results for the half year ending 31 March 2019 will be released in May 2019.

**ENDS**

Richard Harding  
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