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## **Tower announces FY21 result, dividend and proposed capital return**

Kiwi insurer, Tower Limited (NZX/ASX:TWR) has today reported full year profit of \$19.3m, up 72% from \$11.2m at the full year 2020. Underlying profit including large events was \$20.8m, compared to \$28.4m in the prior year.

The Board has declared a final dividend of 2.5 cents per share, bringing total dividends for FY21 to 5 cents per share. As at 30 September Tower New Zealand Parent's solvency ratio was 271% and the company was holding \$56.6m above its target solvency margin. Considering current opportunities and the company's capital position, the Board has proposed the return of \$30.4m excess capital to shareholders by way of a compulsory share buyback\*.

### *Summary of key results:*

- Reported profit including large events \$19.3m vs \$11.2m in FY20
- Underlying NPAT including large events \$20.8m vs \$28.4m in FY20
- Gross written premium (GWP) \$404m, up 5% on FY20
- Customer numbers increased 5% to 304,000, market share up to 9.2%
- Management expense ratio (MER) improved to 37% vs 39% in FY20
- Combined operating ratio (COR) 91.4%, increased 2.7%

Tower CEO Blair Turnbull said the full year result reflected challenging external factors first signalled at the half year. These included an increase in large events and large house claims, Covid-related claims costs inflation, and lower investment income.

"Tower has navigated a difficult year. Our focus has been on addressing a range of external challenges, while supporting our customers and delivering on our technology and distribution growth strategies," said Mr Turnbull.

FY21 large events comprised a \$13.9m impact up from \$9.7m in the prior year and included the large fire at Lake Ōhau and severe floods in Napier in late 2020, and Westport flooding in July. The frequency of large house claims, predominantly driven by house fires, continued to increase in the second half rising 61% over the year to 92, totaling approximately \$21.1m. Inflationary pressures also continued to challenge claims costs which increased \$17.1m in total to \$166.8m, while net investment income reduced by \$5.1m to \$0.2m for the year.

Tower is responding to climate change risks and market challenges with rating and underwriting actions that will continue to ensure a strong and stable insurance business. In August Tower changed the full replacement fire benefit in its house insurance policies to an extended sum insured offering. Earlier this month, Tower announced the extension of its risk-based pricing strategy to include flooding with the aim of assisting customers to better understand their risks and insurance premiums while more accurately matching insurance pricing to risks. Tower believes this a fairer and more transparent way of pricing insurance which will also further strengthen the company's financial resilience.

\* Under a Court Scheme of Arrangement. Subject to necessary approvals.



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Prudent cost control and improved efficiencies saw Tower's overall MER improve to 37% versus 39% in FY20. These efficiency improvements were achieved while continuing to invest in Tower's flagship My Tower digital and data platform, which has now reached 132,000 registrations, over double this time last year.

Mr Turnbull says, "Tower's focus on simple and rewarding customer experiences combined with our digital and data capability have contributed to good growth, particularly in New Zealand where we saw a 7.9% premium increase to \$350m. As part of our focus on developing deeper customer relationships we have enhanced our customer experience, introduced new products and automated our marketing delivery.

"We were particularly pleased to see Tower's leading motor product win two Canstar awards in 2021 - the top Car Insurer of the Year Award, and also an Outstanding Value Award alongside our partner brand Trade Me.

"Tower ends the year in a strong position to continue delivering sustainable earnings, dividends and premium growth.

"Transforming the customer experience lies at the heart of this strategy. In the year ahead Tower will continue to build customer relationships through leading partnerships and a richer product set. In 2022, Tower will be offering a world class digital experience on one core leading platform for all our personal lines customers across New Zealand and the Pacific," says Mr Turnbull.

## **ENDS**

This announcement has been authorised by the Tower Board.

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