

# Tower Annual Shareholder Meeting

11 February, 2025



# Questions

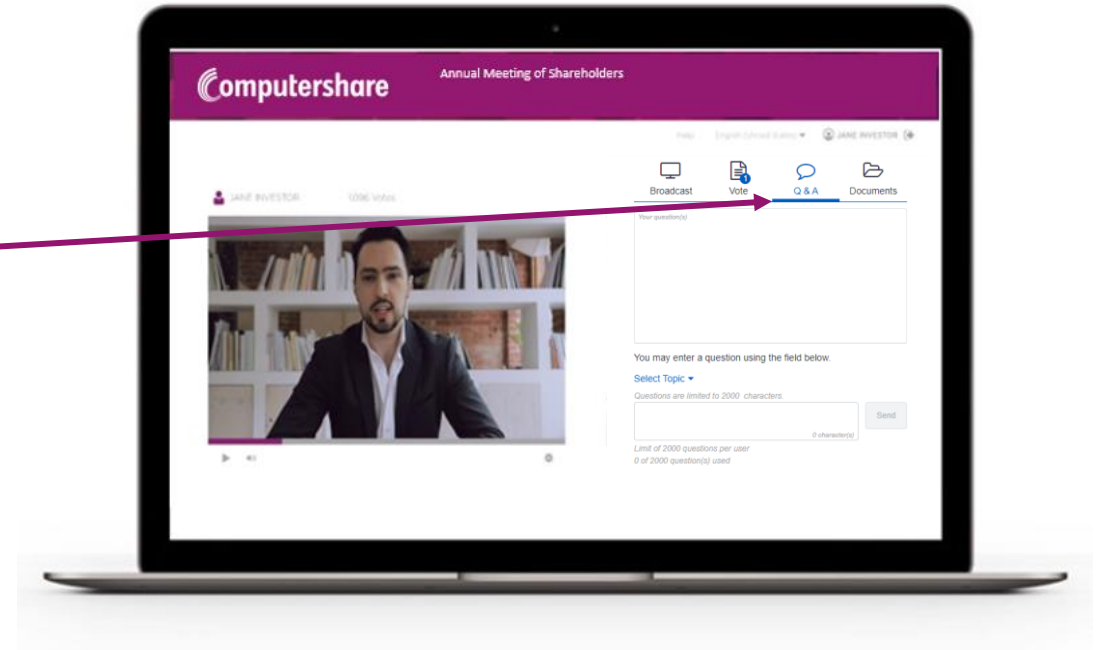
## Shareholder & Proxyholder Q&A Participation

**Written Questions:** Questions may be submitted ahead of the meeting. If you have a question to submit during the live meeting, please select the Q&A tab on the right half of your screen at anytime. Type your question into the field and press submit. Your question will be immediately submitted.

**Help:** The Q&A tab can also be used for immediate help. If you need assistance, please submit your query in the same manner as typing a question and a Computershare representative will respond to you directly.

### Phone numbers:

- NZ - 0800-650-034
- Overseas - +64 9 488 7800





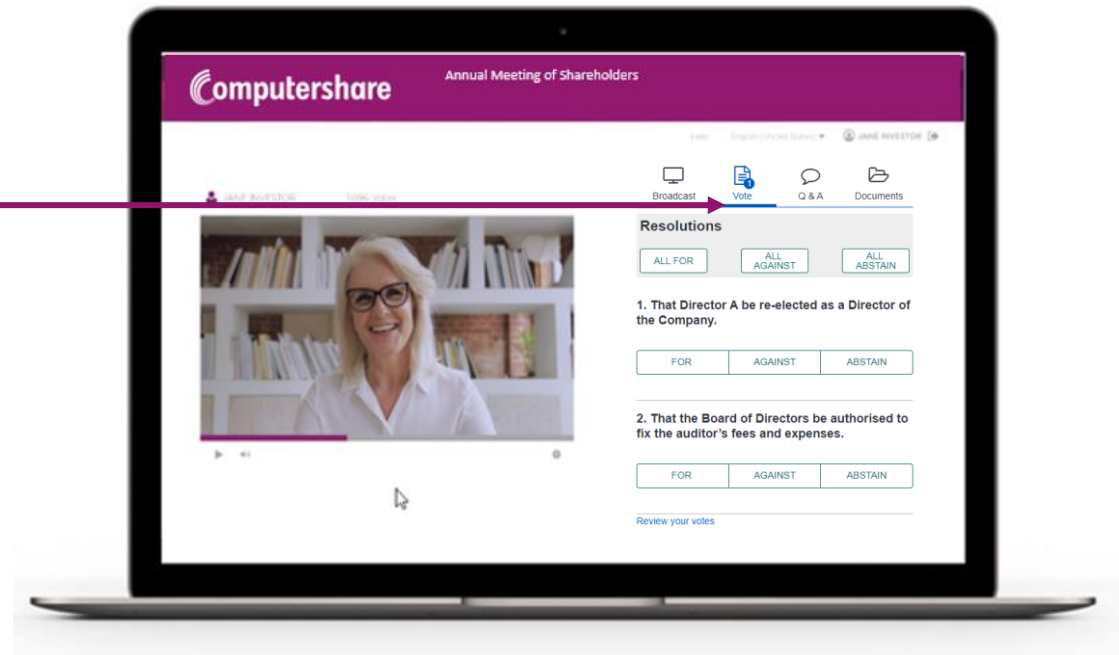
# Voting process

## Shareholder & Proxyholder Voting

Once the voting has been opened, the resolutions and voting options will allow voting.

To vote, simply click on the Vote tab, and select your voting direction from the options shown on the screen. You can vote for all resolutions at once or by each resolution.

Your vote has been cast when the tick appears. To change your vote, select 'Change Your Vote'.



# Agenda



**Chairman's update**  
Michael Stiassny, Chairman



**CEO's address**  
Blair Turnbull, Chief Executive Officer



**Looking forward**  
Paul Johnston, Chief Financial Officer



**Shareholder resolutions**  
Questions & general business  
Michael Stiassny, Chairman



# Chairman's update

Strong business performance provides solid platform for further gains

## Generating value for shareholders

- FY24 total dividends 9.5 cents per share
- \$45m capital return proposed
- Tower entered the NZX 50 Portfolio Index and MidCap Index

## Strategy embedded and delivering results

- Improved customer experience and business performance
- Risk-based pricing and strengthened underwriting capabilities bolstering market position
- Ongoing enhancements in digital and operational efficiencies continue to build resilience

## Further upside

- Strong business performance enables continued investment in further improving processes and risk assessment



# CEO address

Blair Turnbull  
Chief Executive Officer



## Our Purpose

To inspire, shape and protect the future for the good of our customers and communities.

## Our Vision

Ta tātou kaupapa

To deliver beautifully simple and rewarding experiences that our people and our customers rave about.

## Our Strategy

To be the best direct personal lines and SME insurer in our selected markets differentiated through digital and data, fair and transparent, and with customer care in everything we do.



## Our Values



We do what's right



Our people come first



Our customers are our compass



Progress boldly

## Our Strategic Pillars

### LEADING CUSTOMER EXPERIENCE

Succinct, easy customer experiences across the lifecycle

### OPERATIONALLY EFFICIENT

Digitise and automate core processes and leverage geographical footprint

### EFFECTIVE & DISTINCTIVE CULTURE

An inclusive, diverse and risk aware culture. Empower our people to achieve great things

### RESILIENT

Manage volatility and deliver sustainable outcomes for all stakeholders

# FY24 performance

Positive operational and business performance

GWP growth

(Gross written premium)

**15%<sup>1</sup> | \$595m**

vs \$527m in FY23

Customers<sup>1</sup>

**305,000**

vs 311,000 in FY23

BAU claims ratio

(Business as usual)

**48%**

vs 55% in FY23

MER

(Management expense ratio)

**31.4%**

vs 32.0% in FY23

Large event costs<sup>2</sup>

(including reinsurance reinstatement)

**-\$2.3m**

vs \$55.6m in FY23

Underlying profit<sup>3</sup>

**\$83.5m**

vs \$7.1m in FY23

Reported profit

**\$74.3m**

vs \$1.0m loss in FY23

Dividend

Total FY24 declared dividends

**9.5 cents** per share

vs no dividend in FY23

Prior year metrics have been restated to align to IFRS 17 for consistent comparisons

Note 1: Excluding divested portfolios. Prior year customer numbers have been adjusted to exclude sold and held for sale portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial rural portfolio

Note 2: Large event costs are negative in FY24 due to the absence of large events in the financial year and a favourable revision to prior year large events costs

Note 3: Definition of underlying profit and a reconciliation to reported profit is included in the appendices



# FY24: Continued premium growth

15% underlying GWP growth<sup>1</sup>

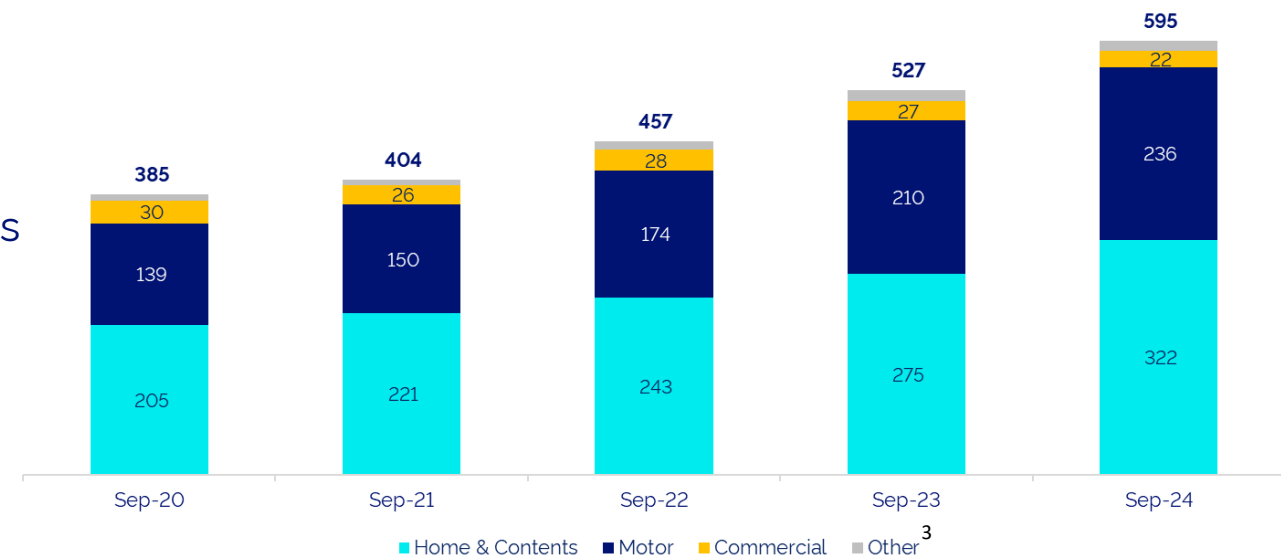
## Targeted growth

- House GWP growth 18%; 72% rate, 28% volume
- Motor GWP growth 13%; off-risking of high theft vehicles reduces number of motor policies
- Risk-based pricing improving exposure; 91% of policies rated 'Low' or 'Very Low' flood risk (FY23: 90%)

## Addressing customer affordability

- NZ retention at 77% (FY23: 77%)<sup>2</sup>
- 53% of customers have multiple policies
- 29k customers accessed 'Ways to Save' feature

## GROSS WRITTEN PREMIUM (\$m)



Note 1: Excluding divested portfolios. Prior year customer numbers have been adjusted to exclude sold and held for sale portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial rural portfolio

Note 2: Commercial rural policies have not been included because this business has been sold and policies are actively being transferred out of the portfolio

Note 3: Other products include Marine, Travel, Pet, Liability, and Workers Compensation

# FY24: Continued improvement in MER

Management expense ratio (MER) improved to 31.4%

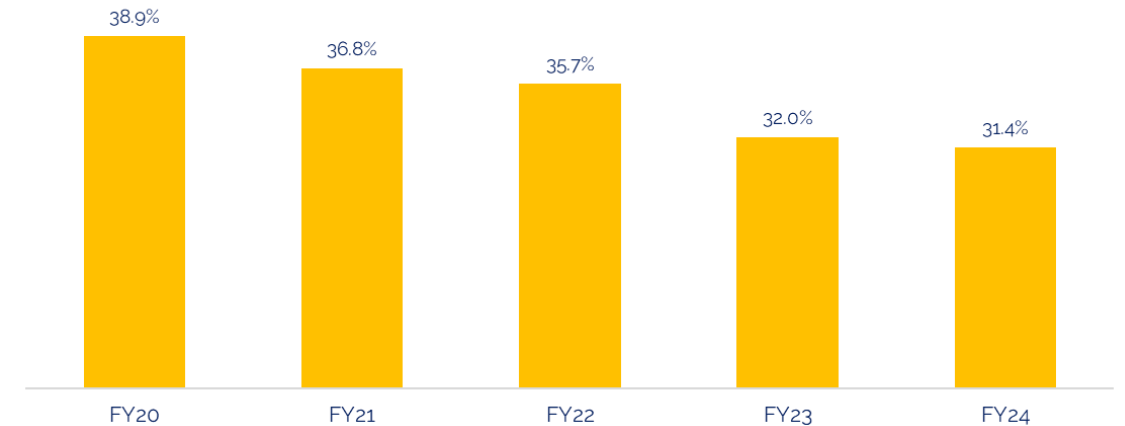
## Operational efficiencies

- Achieving scale with targeted premium growth
- Suva hub answering 55% of NZ sales and service calls (FY23: 16%)

## Streamlining the business

- Sale of Solomon Islands, Vanuatu and NZ commercial rural portfolio
- Commission ratio<sup>2</sup> at 1.5%; down from 2.1%, partly due to legacy portfolio purchases and transition to referral arrangements

## MANAGEMENT EXPENSE RATIO<sup>1</sup>



Note 1: Calculated as management expenses and net commission expense divided by net insurance revenue

Note 2: Commission ratio for the comparative period has been restated due to adoption of IFRS17 which treats a portion of commission revenue as insurance revenue



# FY24: BAU claims ratio significantly improves

Business as usual claims ratio improved to 48.1%

## Effective pricing and underwriting

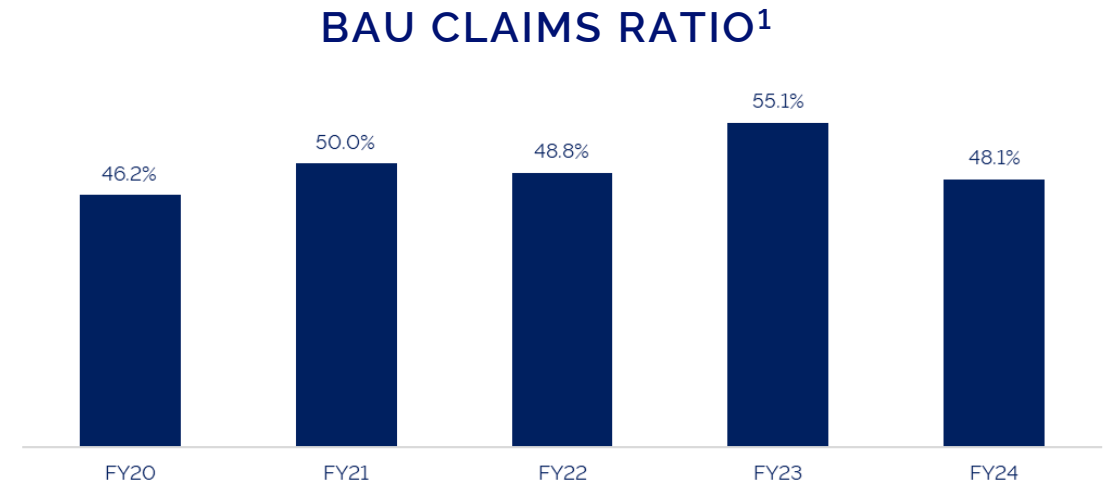
- Targeted rating has reduced high-risk policies
- Rating for inflation, reinsurance, high motor theft

## Faster and more efficient claims management

- Digital evolution: new motor assessing tool live, auto allocation of online motor and house claims to repairers
- Number of open BAU claims down by 50%
- Turn around time decreased by 30%

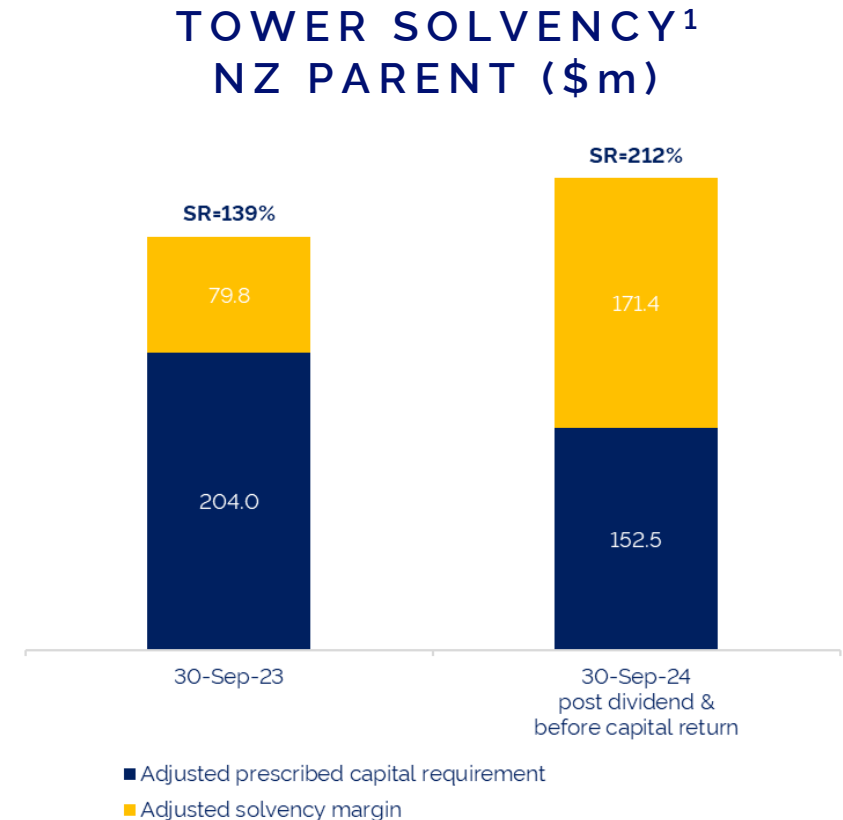
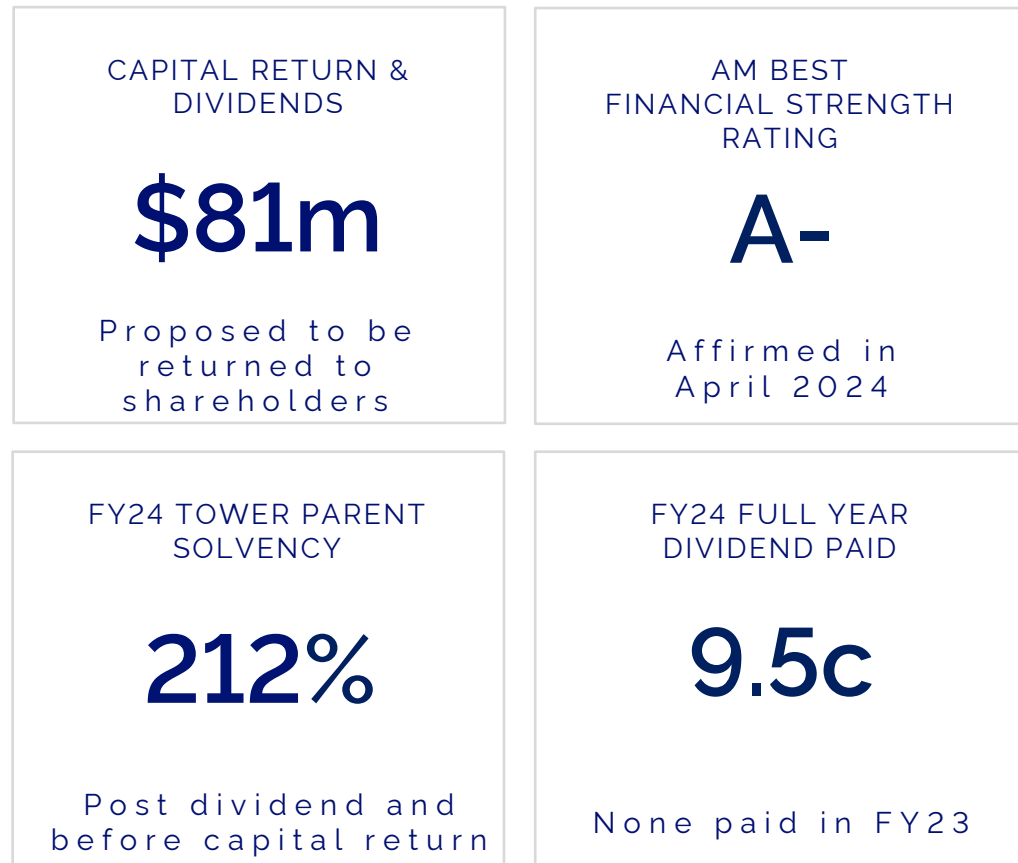
## External factors improved performance

- Calmer weather, easing inflationary pressures, and lower motor theft frequency



Note 1: BAU claims are defined as those not part of a large event (large events are defined as having a cost to Tower of \$2m or more, with lodged claims from two or more policyholders). BAU claims ratio is calculated as BAU claims expense divided by net insurance revenue

# FY24: Delivering shareholder returns



Note 1: The 30 September 2024 solvency position was prepared in accordance with the RBNZ's Interim Solvency Standard, including the first amendment, which applied from 1 October 2023. The 30 September 2023 comparative was prepared in accordance with the RBNZ's Non-Life Solvency Standard, which was applicable until that date.



# FY25 Q1 trading update

For the three months to December 31, 2024



# FY25 Q1 trading update

Strong BAU claims performance, operational efficiencies, and targeted growth

## GWP growth

(Gross written premium)

**6%<sup>1</sup> | \$155m**

vs \$150m in Q1 FY24

## Customers

**310,000**

vs 305,000 as at 30 Sep 24

## BAU claims ratio

(Business as usual)

**39%**

vs 57% in Q1 FY24

## MER

(Management expense ratio)

**30%**

vs 32% in Q1 FY24

## Large event costs

**\$3m**

vs \$0m in Q1 FY24

## Solvency ratio<sup>2</sup>

**187%**

vs 176% as at 30 Sep 2024

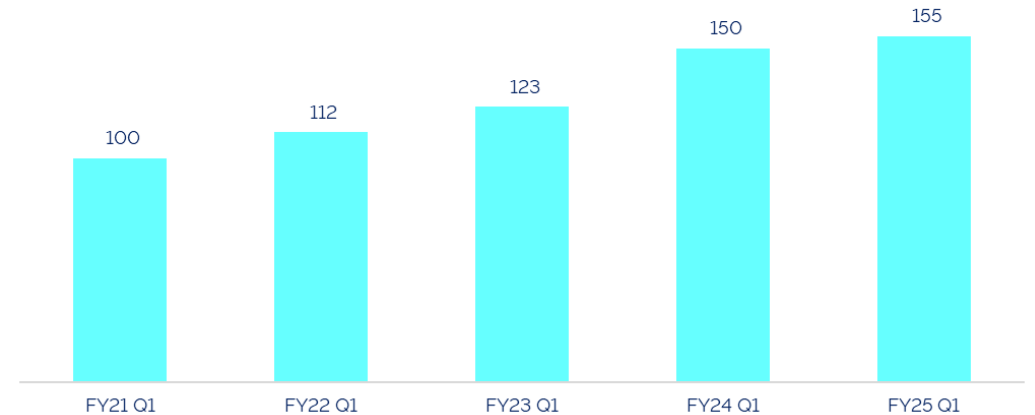
Note 1: Excluding divested portfolios. GWP growth has been adjusted to exclude sold portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial rural portfolio  
Note 2: The solvency position disclosed is based on Tower's initial interpretation of Interim Solvency Standard (ISS2) and has been reviewed by Tower's Appointed Actuary. Due to the complexity of the requirements within ISS2 and with insurance industry interpretations of these requirements continuing to develop, the final solvency position determined under ISS2 may be better or worse than that disclosed.  
Financial information provided on this page is based on Tower's unaudited management accounts as at 31 December 2024



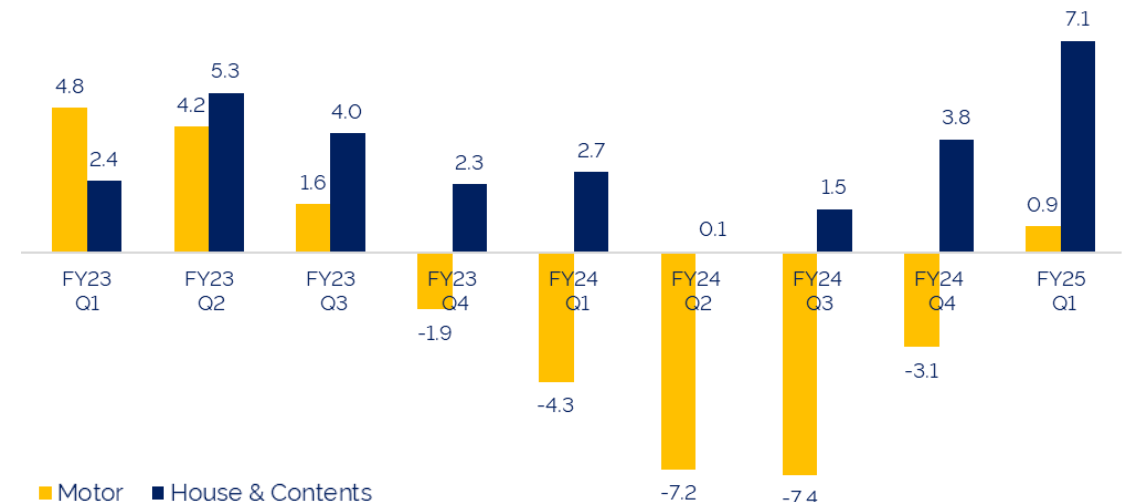
# Q1: Continued premium growth

- 6%<sup>1</sup> GWP growth vs same period prior year
- Rate increases have slowed, volume growth increased
- 5k customer growth in Q1 to 310k
- 12% GWP growth in NZ House portfolio; 6% volume growth
- NZ retention at 78% (Q1 FY24: 78%)<sup>1</sup>
- Risk-based pricing improving exposure; 92% of new business policies rated 'Low' or 'Very Low' flood risk

GROUP GWP (\$m)



NET MOVEMENT IN NZ RISKS BY QUARTER ('000s)

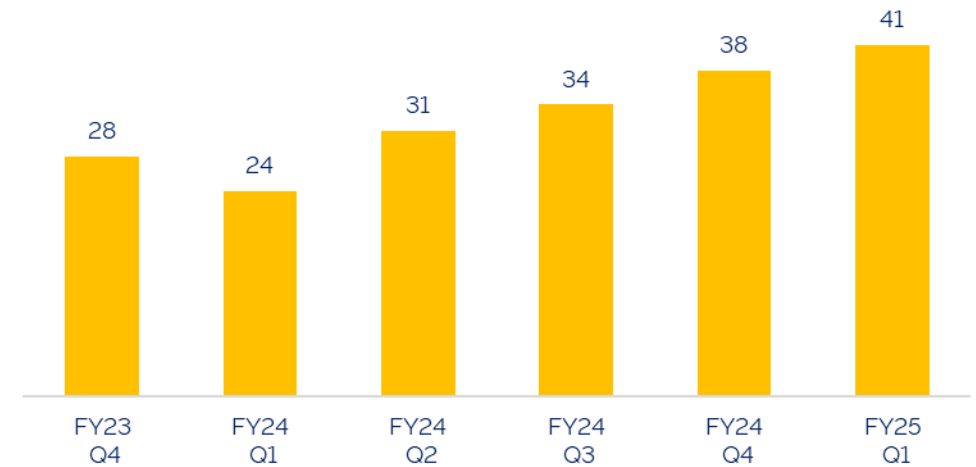


Note 1: Excluding divested portfolios. GWP growth has been adjusted to exclude sold portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial rural portfolio

# Q1: Customer experience

- NPS improved to +41
- Sales & service contact centre abandonment rate reduced to 7% (Q1 FY24: 9%)
- Active users of My Tower increased 4% to 170k from Sep-24
- 7% increase in My Tower logins vs Q1 FY24
- Award winning service: 1<sup>st</sup> place Supreme Award for Retention in the CRM Contact Centre Awards (NZ) in Sep-24

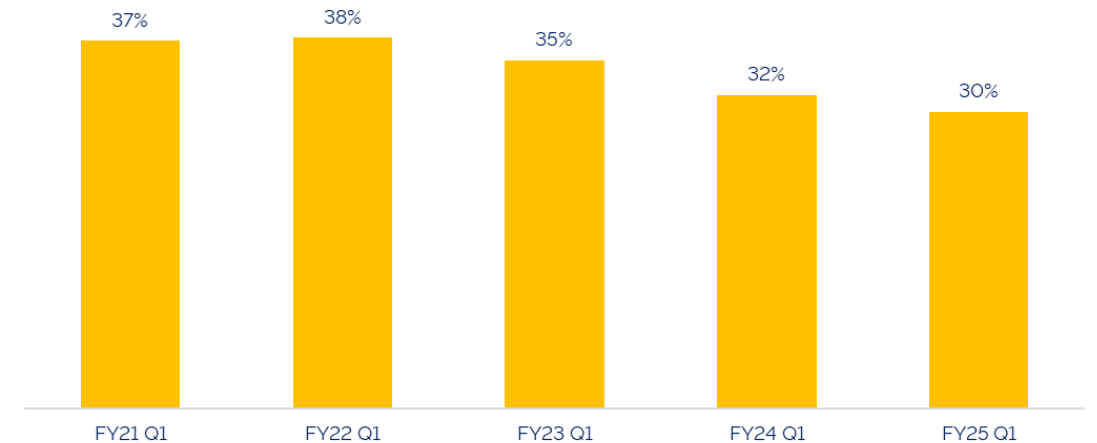
## NET PROMOTER SCORE



# Q1: Continued improvement in MER

- Management expense ratio at 30%, down from 32%
- Achieving scale with targeted premium growth
- Suva hub answering 70% of NZ sales and service calls
- Digital transactions: 45% service, 60% sales, 66% claims

MANAGEMENT EXPENSE RATIO<sup>1</sup>

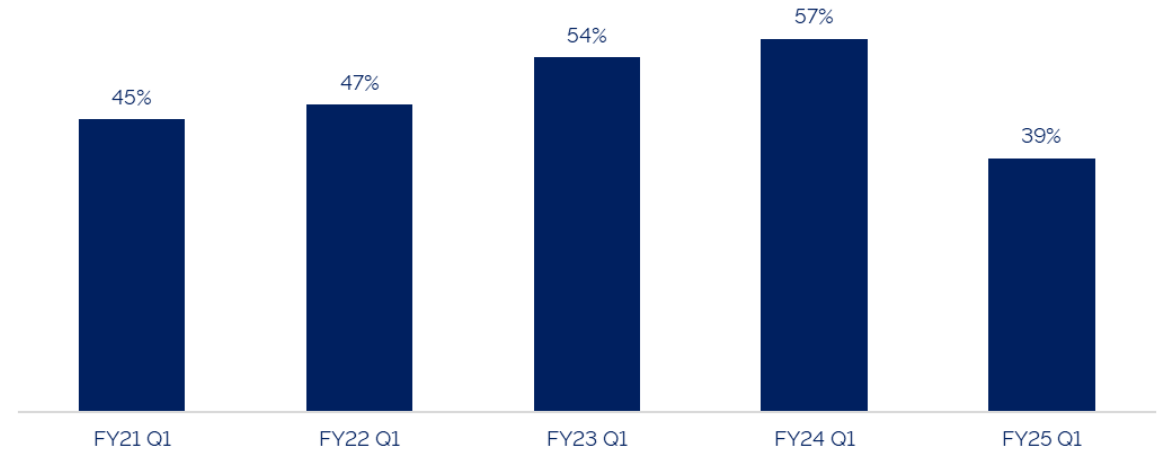


Note 1: Calculated as management expenses and net commission expense divided by net insurance revenue  
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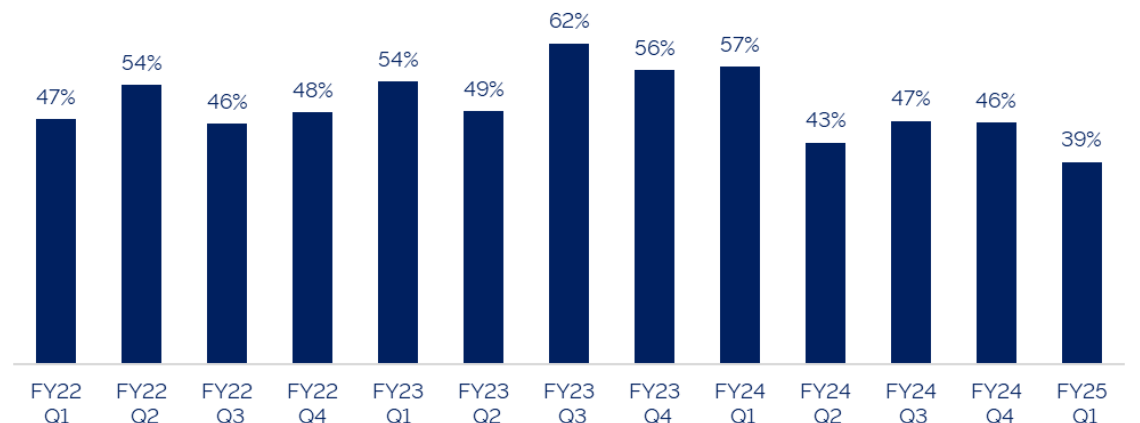
# Q1: BAU claims ratio significantly improves

- BAU loss ratio reduced to 39%
- Targeted rating has reduced high-risk policies
- External factors remain favourable with calmer weather and lower inflation
- Internal assessing of motor claims increased to 94% reducing assessment cost
- Digital journey: 53% of motor claims automatically allocated to repair network

BAU CLAIMS RATIO<sup>1</sup>



BAU CLAIMS RATIO BY QUARTER



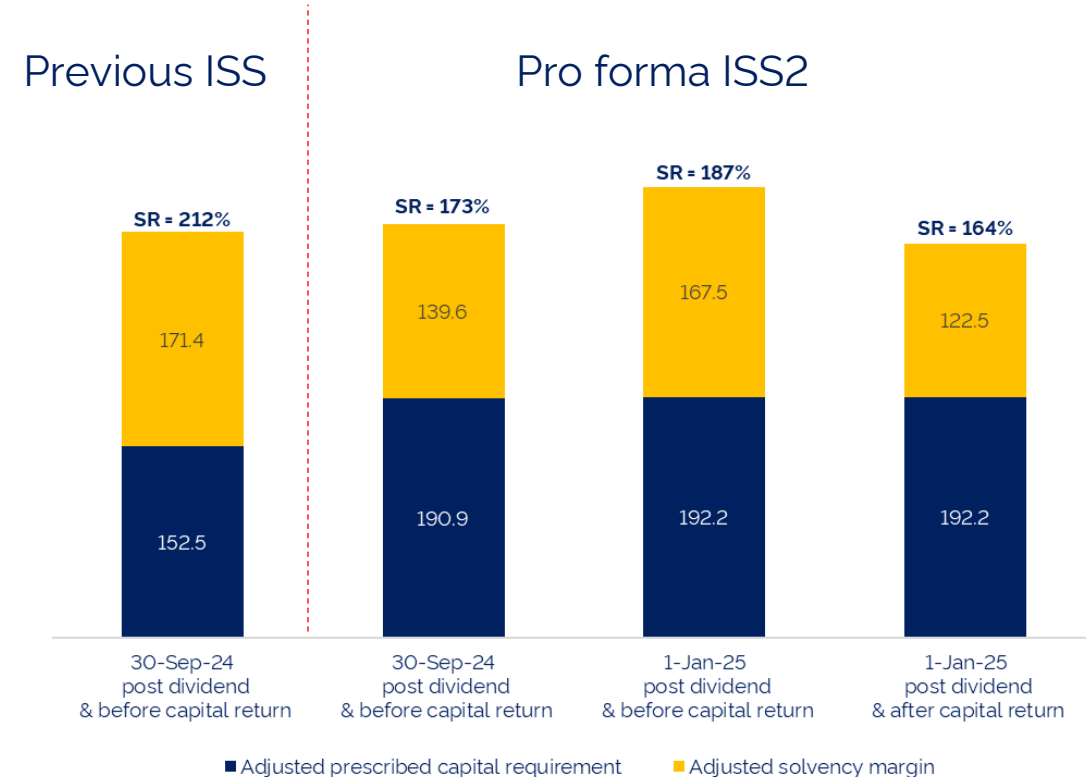
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# Strong capital and solvency position

- Tower expects to continue to have a solvency margin, after the proposed capital return, that is in excess of both regulatory requirements and internal targets
- RBNZ has issued a second amendment to the Interim Solvency Standard (**ISS2**), effective from 1 March 2025
- ISS2 corrects issues in the previous solvency standard
- If ISS2 had been in place at 30 September 2024, the solvency margin would have been \$139.6m, rather than the \$171.4m that was reported<sup>1</sup>
- Tower manages its capital position using an internal target solvency margin that is greater than the minimum regulatory solvency margin

## TOWER SOLVENCY<sup>1</sup> NZ PARENT (\$m)



Note 1: The solvency position disclosed is based on Tower's initial interpretation of ISS2 and has been reviewed by Tower's Appointed Actuary. Due to the complexity of the requirements within ISS2 and with insurance industry interpretations of these requirements continuing to develop, the final solvency position determined under ISS2 may be better or worse than that disclosed.

# Looking forward

Paul Johnston



# FY25 guidance and future targets

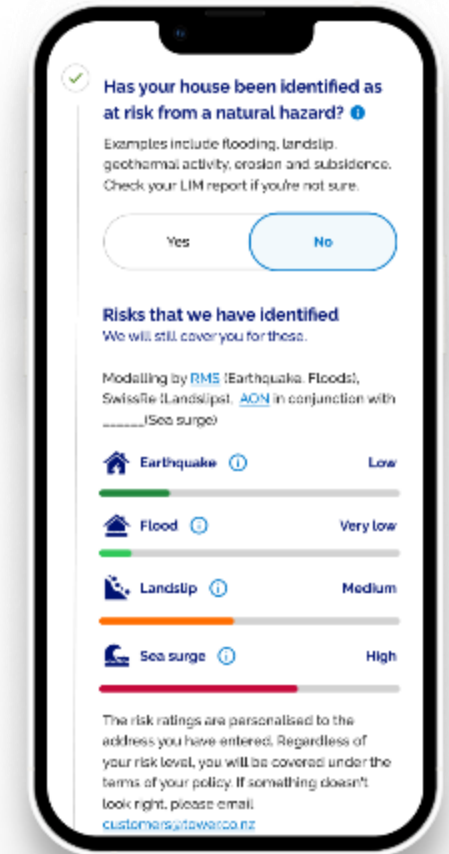
	FY24 Actual	FY25 Guidance	FY27 Target
<b>GWP growth</b> (excluding operations sold)	15%	7% - 12%	10% - 15%
<b>Large events cost/allowance</b>	-\$2.3m	\$50m	
<b>Management expense ratio</b>	31.4%	< 29%	< 26%
<b>Combined operating ratio</b>	79%	84% - 86%	< 86%
<b>Underlying NPAT</b> (assuming full utilisation of large events allowance)	\$83.5m	\$60m - \$70m	
<b>Return on equity<sup>1</sup></b>	23%	13% - 17%	> 18%

- FY25 assumes full utilisation of \$50m large event allowance. Any unused portion of the large events allowance at year end will increase underlying NPAT, and improve the full year result
- Large events allowance used so far in FY25 is \$3m for Dunedin Flood in October 2024
- The benefit to underlying NPAT from no further large events in FY25 would be an additional \$34m (\$47m less tax)

Note 1: Return on equity is defined as reported net profit after tax divided by average closing book equity

# Focus on customer experience and targeted growth

- Enhancing risk-based pricing – landslide and sea surge applied to renewal book and included in purchase journey
- New partnerships for further growth
- Motor policy growth through targeted risk approach
- Renewal journey uplift to increase retention

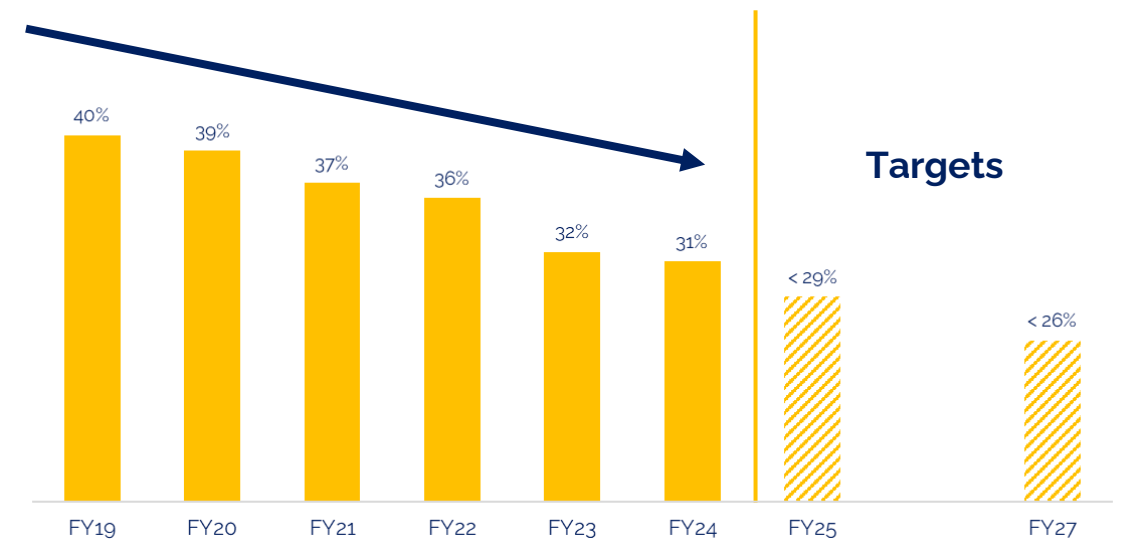




# Continuous efficiency & process improvements

- Targeting 80% of all NZ sales, service, and claim lodgement tasks to be digital by end FY27 (FY24: 45%)
- New house assessing system planned, reducing assessment time and repair costs
- New contact centre platform planned to deliver frontline efficiencies
- Remediation lessons applied to processes and systems
- Streamlining the business – exit from NZ commercial rural portfolio completed

MANAGEMENT EXPENSE RATIO (% NEP)



# Fostering sustainability

## Climate and community

- Parametric partnership with the UNCDF and CelsiusPro, global insurtech
- FY24 Scope 1 and 2 emissions 20% below FY20 baseline year
- Supporting university scholarships in New Zealand and Fiji

## Our people

- Staff engagement score 8.1
- Gender pay equity gap 0.9%<sup>1</sup>
- 30% of Tower staff are members of representation groups<sup>2</sup>
- Winner 2024 ANZIIF NZ Insurance Industry Awards Excellence in Workplace Diversity, Equity & Inclusion
- Winner Fiji Prime Minister's 'Employer of the Year' award



Customer buys a policy, choosing their preferred cover level



If a cyclone hits, we are alerted and assess payment



We send an SMS or email to let customers know if a payment is coming



We aim to pay out all eligible customers within 7 days

Note 1: Comparison of like-for-like roles for women and men at Tower (men are paid 0.9% more than women for the same role)

Note 2: Employee representation groups include groups for rainbow, Māori, women, physical & neuro diversity, wellbeing, and cultural diversity



# Continued focus on strategic delivery & strong performance

- Continuing to invest in customer experience
- Customer remediations, FMA proceedings and implementing lessons
- Delivering profitable growth in targeted segments
- Continuous efficiency, digitisation and process improvements
- Strong capital and solvency
- Investing in future resilience and sustainability





# Shareholder resolutions

Michael Stiasny, Chairman

The image shows a person from a side profile, looking at a laptop. The laptop screen displays the TOWER insurance website interface. The interface is clean and modern, with a white background and blue accents. At the top, there's a navigation bar with the TOWER logo, 'Overview', 'Billing', 'Contact us', 'Account details', 'Log out', 'Make a claim', and 'Get a quote'. The main content area is titled '37 Komai Street, Hamilton' and 'House Plus'. It features a 'Policy details' section with a table of policy periods and premiums, a 'Billing' section showing the next installment of \$151.70, a 'Risk profile' section with a bar chart for Earthquake (Low) and Flood (Medium) risks, and a 'People' section for policy holders and residents. The person's hands are visible at the bottom, typing on the laptop keyboard.

**TOWER**

Overview Billing

37 Komai Street, Hamilton

House Plus

Policy details

Period of insurance	Current	Renewal
Total premium	Effective from 02 Nov 2021 \$1,241.02 per year \$634,300.00	Effective from 02 Nov 2022 02 Nov 2022 to 02 Nov 2023 \$1,365.02 per year \$669,300.00

Sum insured: \$400.00

Excess: None

Finance providers: You do not have any special features specified on this policy

Special features: You do not have any special features specified on this policy

People

Policy holder(s): farheen fatima Relative

Who lives there: farheen fatima Relative

Billing

Next instalment: \$151.70

On: 17 Nov 2021

Risk profile

Modelled by RMS

We've identified the following risks for your property:

- Earthquake: Low
- Flood: Medium

View details



# Shareholder resolutions

## **Resolution 1**

- Authorisation for Board to determine auditor remuneration

## **Resolution 2**

- Re-election of Marcus Nagel as Director

## **Resolution 3**

- Approval of capital return via a scheme of arrangement



Questions & general  
business?

# Disclaimer

This presentation has been prepared by Tower Limited to provide shareholders with information on Tower's business. This document is part of, and should be read in conjunction with an oral briefing to be given by Tower. A copy of this webcast of the briefing is available at <http://www.tower.co.nz/investor-centre/> It contains summary information about Tower as at 30 September 2024 and as at 31 December 2024 which is general in nature, and does not purport to contain all information a prospective investor should consider when evaluating an investment. It is not an offer or invitation to buy Tower shares. Investors must rely on their own enquiries and seek appropriate professional advice in relation to the information and statements in relation to the proposed prospects, business and operations of Tower. The data contained in this document is for illustrative purposes only. Past performance is not a guarantee of future performance and must not be relied on as such. The information in this presentation does not constitute financial advice.

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This document contains certain forward-looking statements. Such statements relate to events and depend on circumstances that will occur in the future and are subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements, including, among others: the enactment of legislation or regulation that may impose costs or restrict activities; the re-negotiation of contracts; fluctuations in demand and pricing in the industry; fluctuations in exchange controls; changes in government policy and taxation; industrial disputes; and war and terrorism. These forward-looking statements speak only as at the date of this document.

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