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INCREASE IN CLAIMS PROVISIONS FOR CANTERBURY REBUILD AND 1H2015 UNDERLYING EARNINGS GUIDANCE OF \$17-18 MILLION

TOWER Limited (NZX/ASX: TWR) today announced that it expects its provisions for claim costs, attributable to the company, in relation to the Canterbury earthquake events will increase by approximately \$20.9 million to \$22.4 million post-tax.

The TOWER Board's commitment to maintaining a strong balance sheet means the company remains well capitalised at both the corporate level and general insurance business level, holding significant capital above the current solvency minimum required by the Reserve Bank of New Zealand and its own long-term solvency policy. The company as at 31 March 2015 held approximately \$110 million in solvency above these requirements. Consequently, TOWER does not expect this increase in provisions will require an increase in its solvency reserves.

TOWER maintains its intention to continue its capital management programme as an important element of its strategy. Details of the programme will be affirmed with the release of the 2015 half year audited accounts on Tuesday, 26 May 2015.

Actuarial Report on Canterbury Claims

Two years ago, TOWER commissioned Deloitte to undertake quarterly actuarial reviews of the company's claims provisions in relation to the Canterbury earthquake events. The review for the period ending 31 March 2015, which is currently underway, has highlighted that claims costs anticipated to be borne by TOWER have increased primarily due to:

- the anticipated impact of the industry-wide increase in repair and rebuild costs and time delays affecting all outstanding construction work.
- an increase in costs associated with settling complex claims associated with multi-unit dwellings impacted by the earthquakes;
- greater clarity of the apportionment of claims costs between TOWER and its reinsurers for each Canterbury earthquake event;

As at April 2015, TOWER had settled and closed 94 percent (by volume) of all claims relating to the Canterbury earthquake events, and remains on track to complete 95 per cent by the end of calendar year 2015.

The resolution of Canterbury claims remains a key operational priority for TOWER, with a dedicated team committed to providing certainty for customers and shareholders as they work through outstanding claims.

Upon receipt of the final actuarial report and consideration of that report by the Board, TOWER expects to advise the final amount of the increase in its claims provision and associated impact on earnings, at its 2015 half year results announcement.



Underlying Earnings Guidance

Following review of the company's unaudited management accounts for the six month period ending 31 March 2015, TOWER anticipates its general insurance underlying net profit after tax, which excludes the impacts of the Canterbury earthquakes, will be between \$17 million and \$18 million.

The anticipated improved earnings result has been supported by premium rate increases, growth in Pacific earnings and investment earnings, in a benign claims environment.

ENDS

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