Level 5, 136 Fanshawe Street
Auckland 1142, New Zealand
ARBN 645 941 028
Incorporated in New Zealand

28 November 2024

Tower Delivers Strong FY24 Result

Kiwi insurer, Tower Limited (NZX/ASX: TWR) today reported its result for the year to 30 September 2024, recording an underlying net profit after tax (underlying NPAT) of $83.5m and a reported profit of $74.3m.

The strong results were due to Tower experiencing no large events in the financial year, year-on-year improvements in business-as-usual (BAU) claims performance, premium growth, and operational and digital efficiencies. This was a significant improvement compared to the $1m[1] reported loss in FY23, which was primarily due to catastrophe events.

Summary of FY24:

- Underlying profit $83.5m vs $7.1m in FY23
- Reported profit $74.3m vs $1m loss in FY23
- Gross written premium (GWP) $595m, up 15% on FY23
- Business as usual (BAU) claims ratio 48.1% vs 55.1% in FY23
- Management expense ratio (MER) improved to 31.4% vs 32% in FY23
- Large event costs -$2.3m vs $55.6m in FY23, due to Tower experiencing no large events in the financial year and a favourable revision to prior year large events costs
- Customer numbers were down 2% to 305,000 vs 311,000[2] in FY23 partly due to tightened risk appetite for high-theft motor vehicle models

Reflecting the positive FY24 results and based on Tower's ordinary dividend policy, the Board has declared a final dividend of 6.5 cents per share. This brings total dividends for FY24 to 9.5 cents per share.

The Board has also conditionally approved a return of NZ$45m of excess capital to shareholders, by way of mandatory share buyback[3]. The return of capital is expected to deliver meaningful earnings per share accretion to Tower’s shareholders.

Strong business performance

Tower CEO, Blair Turnbull says, “Continued improvements in claims performance, sustained GWP growth and enhanced business efficiencies along with unusually benign weather in New Zealand and the Pacific, have delivered a positive result for shareholders.

“This strong result is underpinned by our strategy of delivering simple and rewarding customer experiences combined with our use of digital technology and data.”

The BAU claims ratio has reduced to 48.1% compared to 55.1% in FY23. This improvement was driven by a combination of rating increases, enhanced processes, a reduction in motor theft claims due to targeted underwriting actions and lower crime, and calmer weather, which flattened the frequency of house claims in the year.

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[1] All prior year metrics have been restated to align with the new accounting standard, IFRS 17, for consistent comparisons.

[2] 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.

[3] The return of capital will be conducted as a scheme of arrangement. It is subject to receipt of High Court approval of the arrangement and shareholder approval, as well as Tower continuing to satisfy solvency and prudential capital requirements, and the Tower Board remaining satisfied that it remains prudent to undertake the capital return, in each case up to the time the capital return is give effect.

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As at 31 October 2024, Tower had closed 99% of both the Auckland Anniversary and Cyclone Gabrielle FY23 catastrophe event claims.

Premium growth continued in FY24 with GWP increasing 15% year on year to $595m. This was mainly due to prior period rating increases aimed at mitigating the impacts of inflation, crime and higher reinsurance costs following the 2023 catastrophe events.

Mr Turnbull says, "We recognise the impact of premium increases for customers. As inflation settled later in the financial year we moved to moderate premium increases, particularly for low-risk assets. With inflation now easing, we expect premium increases to stabilise further."

GWP from house insurance policies grew by 18% in the year, reflecting a stronger focus on the home insurance market.

Delivering operational efficiencies

Tower's GWP growth, along with disciplined cost control has led to another improvement in MER, with it reducing to 31.4% from 32% in FY23. Tower is continuing to further improve business efficiency through investments in digitisation and streamlining operations.

Tower's Suva hub, which was expanded in FY24, is now answering more than half (55%) of all New Zealand customer sales and service calls.

No large events recorded in FY24

Tower's conservative large events allowance of $45m for FY24 was unused as no large events were recorded in the financial year. The unused allowance increased underlying NPAT by $32m ($45m less tax).

FY25 guidance

Tower's FY25 full year guidance is for underlying NPAT to be between $50m and $60m. This assumes full utilisation of a large events allowance which has prudently been set at $50m, reflecting growth in the house portfolio, and inflation-based increases to sums insured. GWP growth in FY25 is expected to be between 10% and 15% reflecting a balance of rating and organic growth. Digitisation and efficiency initiatives are expected to improve MER to less than 29%.

ENDS

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

For media enquiries, please contact:
Emily Davies
Head of Corporate Affairs and Sustainability
+64 21 815 149
emily.davies@tower.co.nz

For investor enquiries, please contact:
James Silcock
Head of Strategy, Planning and Investor Relations
+64 22 395 9327
James.silcock@tower.co.nz