

6 August 2013

Market Information
NZX Limited
Level 2, NZX Centre
11 Cable Street
Wellington
NEW ZEALAND

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000
AUSTRALIA

TOWER receives clarity around licensing conditions

Further to the disclosure notice of 17 July, TOWER Limited advises that it has successfully concluded discussions with the Reserve Bank of New Zealand (RBNZ) in relation to its licensing conditions.

The RBNZ today advised that in light of Canterbury earthquake events and consistent with its treatment of other insurers, under the Insurance (Prudential Supervision) Act 2010 it now requires a minimum solvency margin of \$80 million above minimum solvency capital to be applied to TOWER Insurance Limited's (TIL) Provisional Licence, and carried over to its full licence when issued. This will come into effect on 16 August 2013.

TOWER Chief Executive Officer, David Hancock said that this move is consistent with the TOWER board's existing strategy for the group to be strongly capitalised.

"TOWER has always ensured it is strongly capitalised, above minimum solvency requirements. We continue to make solid progress settling claims relating to the Canterbury earthquakes. TOWER has now settled more than 69 per cent of claims (by number) and well above the industry average rate of settlement (by value).

"With the sale of most of our Life insurance business to Fidelity Life Assurance Company Limited having settled on 1 August, funds are readily available to meet this new minimum solvency margin. We are now reassessing our capital requirements as a focused General Insurer. In light of these new requirements, our previously signaled capital management plan will be reviewed as part of a prudent capital management strategy.

"As soon as we have determined our capital management approach, we will update the market," Mr Hancock said.

TOWER Life New Zealand Limited (TLNZ) will also hold a minimum solvency margin, of \$15 million, relating to the retained portion of the life business. Divestment opportunities are actively being sought for this business in run off, and interest has been expressed by more than one party.

ENDS

David Hancock
Chief Executive Officer
TOWER Limited
ARBN 088 481 234 Incorporated in New Zealand

For further information, contact
Tracey Palmer
Head of Corporate Communications
DDI +64 9 369 2017

For personal use only