

## **TOWER Australia AGM 10 February 2010 Chairman's Address**

---

Welcome shareholders and guests to the Third Annual General Meeting of TOWER Australia Group Limited. My name is Rob Thomas and I am your Chairman.

This is a properly constituted meeting under Australian Corporations Law and the listing rules of the Australian Securities Exchange. I see we have a quorum present so it gives me great pleasure to declare this meeting open.

I would like to introduce my fellow Directors – Don Findlater, Elana Rubin, Peter Lewinsky, Ralph Pliner, Takayuki Kotani, Tetsuya Kikuta and Jim Minto, the Managing Director.

I would also like to introduce the company secretary, Philippa Ellis, senior members of management in attendance John de Zwart (Chief Financial Officer), Brett Clark (CEO, Retail Life), Geoff Black (CEO, Group Life & Investments), Howard Ware and Bradley Goldschmidt (Joint CEO's InsuranceLine and Alliances) and Peter Noble (Head of Corporate Governance), Phil Soutter (Chief Information Officer), Simon Higgins (Head of Human Resources) and Toru Nagashima (Dai-ichi Life Liaison Executive). Finally I would like to introduce our external auditors PricewaterhouseCoopers represented by Voula Papageorgiou and Scott Hadfield.

Before we get to the business of the meeting, I would like to make a few comments about the year just past and highlight some of the areas of focus for your company in the future. The Managing Director, Jim Minto, will then talk in more detail about the Company's performance in 2009 and the year ahead for TOWER Australia.

### **A CHALLENGING YEAR**

It is fair to say the year just gone has been challenging for all of us. When we met 12 months ago the scenario for 2009 was far from promising. In fact, many forecasts were for a bleak 2009. However, one year on and it is clear Australia has come through a difficult economic year in reasonable shape.

Unemployment has not reached the predicted levels. This is important to us as there appears a significant correlation between disability and income protection claims and unemployment. Interest rates, while they have increased in recent months, remain low by historical standards. Economic indicators are mixed, but they do tend to indicate that a recovery is underway.

TOWER Australia, continued to perform strongly in 2009 and maintained a strong capital position with low levels of debt. Interest cover was a healthy 11.8 times.

The Embedded Value of the business increased 30% to over \$1.1 billion reflecting productivity benefits and improved product margins from business simplification along with strong business volumes. This was an outstanding achievement in this challenging environment.

TOWER Australia remained focussed on its core business – life insurance and it kept a close eye on costs and business simplification projects. The overall financial strength of the company allowed your Board to increase the dividend for the year by 17% to 5.25 cents per share and this was paid to you on 25 January.

### **ACHIEVEMENTS IN 2009**

TOWER Australia continued to grow in strongly in 2009. We have a clear focus on what we want to be and where we want to compete. We are an independent life insurance company operating in a market where most of our competitors see life insurance as being secondary to their wealth management business. In the past 18 months as wealth management lost impetus, life insurance

continued to be in demand and TOWER Australia worked hard to not only grow its market share, but also to grow the market overall.

Your Managing Director, Jim Minto, will provide more on these issues in his presentation, but I can say that TOWER Australia's careful and strategic investment in market positioning and technology, has made it top-tier performer in all areas of its business operations.

TOWER Australia reported an underlying net profit after tax for the financial year to 30 September of \$74.5 million, an increase of 10 per cent over the previous year. Underlying profit more accurately reflects the company's performance as it excludes non-cash items such as accounting adjustments and amortisation and normalises investment income.

The financial strength of TOWER Australia was highlighted with the company's insurer financial strength rating being lifted in a year when most others were facing a downgrade.

## **INDUSTRY CHANGES**

At present, TOWER Australia is the 4<sup>th</sup> largest life insurer in the market with an overall market share of 11%. Mergers and Acquisitions in the industry may see that market position change but TOWER Australia's growth and dynamism stands out.

There is no doubt there are pressures for consolidation in the Australian wealth management sector at present and there have been opportunities in the life insurance market as companies reassess their roles in the Australian market.

TOWER Australia has and will take a careful and close look at all merger and acquisition opportunities but we are not prepared to buy assets that do not deliver strategic and valuable returns to shareholders. TOWER Australia continues to see strong organic growth potential in the Australian life insurance market.

## **AREAS OF OPPORTUNITY**

Our cornerstone shareholder, Dai-ichi Life, sees TOWER Australia as a long-term strategic investment. The relationship continues to grow and we expect that over time Dai-ichi Life will enhance TOWER Australia's core capabilities and help us deliver increasing shareholder value.

InsuranceLine is now an integral part of TOWER Australia and complements our existing Advice and Workplace life insurance distribution channels. It gives us end to end distribution capability in the direct to customer segment of the market and enables us to leverage the call centre capability into a number of alliance partnerships.

During 2009 TOWER Australia moved to the next stage of electronic application and underwriting with its Accelerated Protection offering. This new product and service proposition simplifies the complex world for advisers and customers and offers considerable time and cost saving benefits.

This technology has flowed into our Group Life offering and was a key part of TOWER Australia's success in winning the AustralianSuper mandate towards the end of 2009.

TOWER Australia's plan is help people understand the value of life insurance and to make it easy for Australians to obtain the life insurance they need in the way that best suits them – that is directly from the company, through an Independent Financial Adviser or through a group or workplace scheme. The 2009 Shareholder Review shows TOWER Australia's roadmap for all Australians and highlights the benefits of financial protection provided by life insurance at the various stages of life.

## **LOOKING AHEAD**

The Board and management of TOWER Australia are keeping a close eye on all developments and are committed to careful and responsible growth in the business. TOWER Australia's strategy remains one of leadership in the Australian life insurance market with the interests of all stakeholders - shareholders, customers, business partners and employees at the forefront.

Your board and management remain positive about the outlook for life insurance in Australia. Statistics show that Australians are underinsured and this has driven considerable market growth in recent years. We can see that growth continuing provided businesses such as TOWER Australia meet customer needs in terms of understanding and accessing life insurance.

The Ripoll Report of last year and the upcoming Cooper Report on superannuation may have some impact on the regulation surrounding life insurance in the future. TOWER Australia concurs with Mr Ripoll's comments that access to advice remains very important and we would like to see more Australians being able to ask simple questions and get straight-forward answers. Currently only a small percentage of our population obtain advice about life insurance and this must increase. TOWER Australia also believes that the complex and uneven tax rules around life insurance need to be simplified and it is hoped the Henry Report now in the Government's hands addresses this issue.

TOWER Australia's operational priorities in 2010 are based around ongoing business simplification along with a continuing commitment to innovative technology investment. We intend to remain at the forefront of innovation in the life insurance industry and to deliver valued products and outstanding service to our business partners and customers.

## **THANKS**

In wrapping up, I would like to thank my fellow members of the Board for their support, hard work and the strong governance they provide to make TOWER Australia a success for all stakeholders.

I would also like to thank our Executive Team, very ably led by Jim Minto, and the other 1000 staff of TOWER Australia, including InsuranceLine, who have all contributed so positively toward the company's achievements in 2009.

And finally, I would like to thank you, TOWER Australia's shareholders, for your continued support. TOWER Australia achieved solid financial results in 2009 and made strong progress operationally. We are well placed and will continue to focus on delivering value to you.

I will now ask the Managing Director, Mr Jim Minto to address the meeting.