

Shareholder News

July 2007

Dear Shareholder

LETTER FROM JIM MINTO

Positive start for TOWER Australia as a separately listed company

Welcome to the first shareholder newsletter of TOWER Australia Group Limited (ASX: TAL). We have been a separately listed company for more than six months now and have achieved a great deal in that time.

TOWER Australia is the only specialist life insurer listed on ASX.

The financial half-year to 31 March 2007 was one of significant change for TOWER Australia as we successfully completed the merger with PrefSure to create one larger business, separated from the New Zealand business of TOWER and established ourselves solely focused on the Australian life insurance market. Good growth momentum has been maintained and this together with the focus on growth, retention of our current business and keeping costs under control is providing a strong platform for creating value for our shareholders.

TOWER Australia is the only specialist life insurer listed on ASX. The business operates principally in the Retail and Group life insurance sectors. Our objective is to grow our business in a sustainable way and lift our market share. By developing new market opportunities we will also expand the overall market for life insurance in Australia.

The Australian life insurance market continues to grow in excess of 10% a year. While this market is seen to be much more attractive and more competitive

today, a strong market opportunity exists underpinned by high levels of consumer under-insurance and the increasing linking of life insurance as part of superannuation savings offers. The development of other alternative distribution channels and products will also provide access to life insurance to more people in the Australian market and help address the underinsurance issue.

TOWER Australia's financial results and business achievements during the period of review were pleasing and reflect a positive start. We have a well positioned life insurance business, a broad, diversified life insurance distribution capability and a niche investment business with over \$3 billion Funds under Management and Administration. Life insurance is our core business and we are looking to capitalise on opportunities to improve our competitive advantage and our results in the future.

We are focused on simplifying and transforming our business and continuing to lift our competitiveness around relationship management, service and information technology. The core of TOWER Australia remains our people, our customers and our business partners. We will work hard to ensure all these key stakeholders receive good value as a basis for future business success. Our rationale is that if we do this successfully then we will have built a more valuable business for our shareholders.

Thank you for your support of TOWER Australia.



Jim Minto
Managing Director

Maiden financial results highlights

Six months ended 31 March 2007

- Operating earnings after tax of **\$21.6 million** – up 16% compared with the proforma results for the same period in 2006
- Reported profit after tax of **\$17.1 million**
- In-force premium **\$623 million** – 11% market share, No 4 in the total market and No 1 ranked life insurance specialist
- Embedded value – up 12% in the six months to **\$697 million**

TOWER Australia's full results and market presentations can be accessed on the Shareholder Centre section of the website www.toweraustralia.com.au.

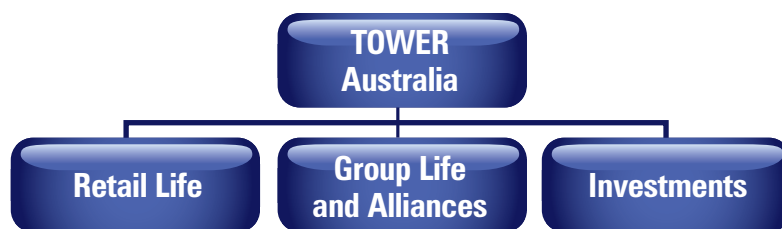


TOWER Australia

- The only ASX listed specialist life insurance company

Structure

- TOWER Australia's business is segmented along market lines – Retail Life Insurance, Group Life and Alliances and Investments – each with its own leadership team
- TOWER Australia has a broad, diversified life insurance distribution capability through independent financial advisers, aligned advisers, alliance partners and group life insurance schemes

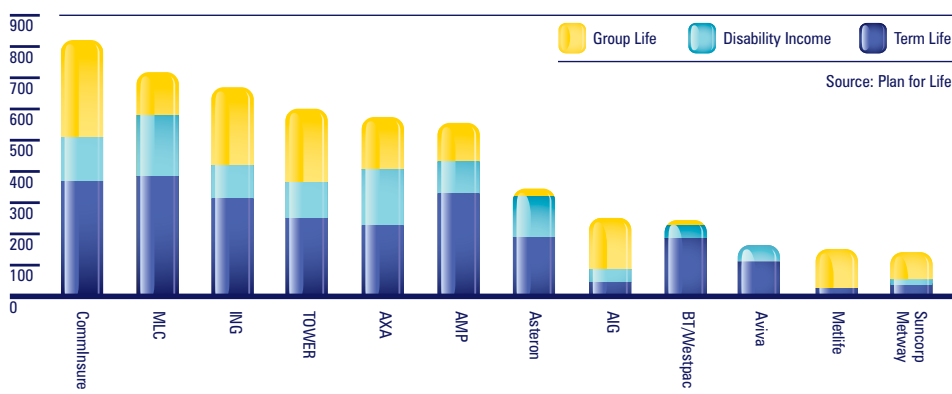


Market	Individual or Personal	Corporate and Group	Individual and Corporate Super Schemes
Channel	<ul style="list-style-type: none"> • Independent Financial Advisers (IFA) • Alliance Partners • Financial Planners 	<ul style="list-style-type: none"> • Mortgage Brokers • Private Health Insurers • InsuranceLine • Master Trusts • Industry Super Funds • Alliance Partners • Direct Marketers 	<ul style="list-style-type: none"> • IFAs • Financial Planners

Competitive Position

- TOWER Australia has a strong market position in the Australian life insurance market
- Ranked number four in the Australian life insurance market with an overall market share of 11% of in-force premium
- 10% market share in the retail life insurance sector
- 14% market share in the group life insurance sector

Total Premium In-force (\$m) – March 2007



Strategy for growth

Aspiration

To grow in-force premium 50% faster than market growth in each of the sectors in which we compete

Positioning

- To lead the thinking and market development in the life insurance market
- To be the premier business partner for distributors of life insurance products

Execution

- Grow in the Retail life insurance market through the dealer adviser channels with strong service and product
- Build on our position in the Group life insurance sector via Business to Business partnering and strong service
- Invest in existing alliance partner growth through service and partnering
- Develop new alliance and channel opportunities with simple, easily acquired products

Australian life insurance market

Research conducted on behalf of the Investment and Financial Services Association of Australia (IFSA) has recognised that Australians are financially exposed to the uncertainties of life through being significantly underinsured. This means that if serious illness, injury or death occurs to the principal income earner in the family, that family is likely to suffer severe financial hardship. TOWER Australia believes this is a social issue which must be addressed.

TOWER Australia is working hard to increase awareness of this issue and to make life insurance available and affordable for more people through channels which best suit them. This could be through the traditional full advice channel offered by Independent Financial Advisers, through accessing life insurance as part of superannuation funds in the group market or it could be through an online or over the phone channel.

By looking for ways to make life insurance available to more people, TOWER Australia will not only grow its market share but will also increase the overall market for life insurance.



Dividend

TOWER Australia intends to pay dividends once a year and proposes to make the first dividend payment to shareholders in December 2007. The payout ratio in the medium term will be approximately 25% of net profit after tax excluding amortisation charges. Details of a Dividend Reinvestment Plan to be offered to shareholders will be mailed out in the next few months.

Awards

TOWER Australia has won a number of awards for its products and services in recent years. While we do not put a great deal of emphasis on winning awards, such endorsement is encouraging and shows we are doing the right things in the eyes of others. To be successful, TOWER Australia must deliver what the customer wants, in the way that they want it. The challenge of winning one year, is winning again. This requires TOWER Australia to be constantly pushing ahead faster than its competitors and engaging with its customers regularly.



AFR Smart Investor Risk Insurer of the Year 2007
 – Judged by Rice Warner and Associates
 – Recognition of TOWER Australia's commitment to quality products for the consumer



Money Management Adviser Choice Risk Company of the Year 2006
 • Judged by a panel of Independent Financial Advisers
 • Recognition of TOWER Australia's products and services to the Independent Financial Adviser channel



AFR Asset Innovation Awards
 Finalist – Life Protection
 Product of the Year 2007



Beacon Investment Management – a TOWER company
 • AFR Smart Investor Managed Fund and Share Service: Platform of the Year 2006 (Non Super)
 • Asset Innovation Retail Portfolio Platform of the Year 2006: Small & Large Investor (Non Super)
 • Asset Innovation Retail Portfolio Platform of the Year 2006: Highly Commended – Small & Large Investor (Super)

Shareholder information

Small Shareholder Sale Facility

TOWER Australia has established a Share Sale Facility for the following purposes:

1. To sell the shares on behalf of those shareholders holding less than the minimum parcel of shares (205 shares) unless they advise in writing they wish to retain the shares.
2. To offer shareholders who hold small parcels of between 205 and 1,000 shares the opportunity to sell those shares.

This Share Sale Facility ensures shareholders who want to sell their small parcels of shares receive market value and pay no brokerage fees.

Shareholders who are eligible to participate in the Share Sale Facility will have received information about the Facility in the post in mid-June 2007. The record date for determining eligible shareholders was 4 June 2007 and the offer period is from 12 June – 27 July 2007.

Details of the Facility can be accessed on the Shareholder Centre section of the TOWER Australia website.

www.toweraustralia.com.au

TOWER Australia Website

The website is an important communication vehicle for TOWER Australia and its shareholders. In the Shareholder Centre section you will find information and services for TOWER Australia shareholders and for potential shareholders. Features of the site include:

- Updates of the TOWER Australia share price on the ASX every 20 minutes
- Latest market announcements from TOWER Australia
- A comprehensive Corporate Governance section
- Information on the Board and Senior Management
- A calendar of key dates
- Financial information including presentations of the half year and annual results, Annual Reports and credit ratings
- A link to the Share Registry, Computershare, website where you can check and update your shareholding records on line
- Access to live webcasts of market briefings (archived recent webcasts can be accessed on demand)

The website also has information about all the product and services offered by TOWER Australia's three business lines.

Visit www.toweraustralia.com.au

Electronic Communication

TOWER Australia is committed to simplifying the way we communicate with our shareholders, helping the environment and achieving ongoing savings to benefit all shareholders.

You can elect to receive all of your shareholder information by email. Receiving material electronically makes receiving and finding this information quicker and easier, and helps to reduce the amount of paper we use to keep you informed.

Go to the Shareholder Information page in the Shareholder Centre section of the TOWER Australia website and click on the link to the Share Registry, Computershare website, to register your email address and see the benefits of receiving your communication electronically.

Annual Report

The Australian Government has recently introduced legislation changing the default option for receiving Annual Reports to be via a company's website. You now have the choice of receiving all your shareholder communications online through the website or continuing to receive a printed Annual Report.

The letter enclosed with this Shareholder Newsletter enables you to make this selection.

- If you provide us with your email address you will receive an email notification as soon as the Annual Report becomes available on TOWER Australia's website.
- If you tick the box to continue to receive the printed version of the Annual Report and return it to us, you will be mailed the document when it has been printed.
- If you take no action, then information on accessing the Annual Report via the TOWER Australia website will be provided to you in your AGM Notice and Proxy Form mail pack.

Dates

12 June 2007 – 27 July 2007

- Offer period for Small Shareholder Share Sale Facility

End November 2007

- Announcement of TOWER Australia Group Limited financial results – year ended 30 September 2007.

End December 2007

- TOWER Australia Group Limited Annual Report sent to shareholders
- Final Dividend 2007 paid to shareholders

Contact

Shareholder Enquiries

Shareholders with enquiries about share transactions, changes of address, direct credit advices etc should contact TOWER Australia's Share Registry:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne, Vic 3001
AUSTRALIA

Phone: 1300 656 389 (from Australia)
or +61 3 9415 4379 (from outside Australia)
Fax: +61 2 8235 8150
Email: Web.queries@computershare.com.au
Website: www.computershare.com.au

Shareholder enquiries about TOWER Australia's operating and financial performance should be emailed to:

investor-relations@toweraustralia.com.au

or addressed to:

General Manager Investor Relations
TOWER Australia Group Limited
PO Box 142
Milsons Point, NSW 1565
AUSTRALIA