

Zurich Australian Insurance Limited (New Zealand Branch)

Section 78 Report for the year ending
31 December 2015

Zurich Australian
Insurance Limited
ABN 13 000 296 640
Finance



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Background

The Insurance (Prudential Supervision) Act 2010 (“the Act”) has the purpose of further promoting the maintenance of a sound and efficient insurance sector and the promotion of public confidence in the insurance sector in New Zealand. Sections of the Act which are directly relevant to this report and the continued operation of the insurer include:

- Section 15 - All persons carrying on insurance in New Zealand must be licensed. The transitional arrangements set out by the Reserve Bank of New Zealand (“RBNZ”) allow insurers to operate under a provisional licence till a full licence is granted.
- Section 76 - A licensed insurer must have an actuary appointed by the insurer, the Appointed Actuary (which we refer to in this report as the “NZ AA”).
- Section 77 - A review of the actuarial information (relating to the NZ business) presented in the annual financial statements required to be registered under the Financial Reporting Act 1993. The results of the review must be documented in a report that meets the requirements set out in Section 78 of the Act.
- Sections 55 to 59 – The Act allows RBNZ to issue prudential standards, regulating the activities of and imposing requirements on insurers. RBNZ has subsequently issued the “Solvency Standard for Non-life Insurance Business” (“Solvency Standard”) dated December 2014.

Section 59 Exemption

A full licence for Zurich Australian Insurance Limited (“ZAIL”) was granted by RBNZ on 15 July 2013. The modifications to the conditions of licence were issued by RBNZ on the 11 December 2015 with a Section 59 exemption effective as at and from 31 December 2015. For the purposes of S59 exemption, actuarial information relates to the following items within the financial statement:

- the unearned premium and the liability adequacy test
- the Net Outstanding Claims Liability
- the reinsurance and other recovery asset(s)
- deferred acquisition cost or deferred fee revenue
- any other information deemed by the Appointed Actuary to warrant review for the purpose of profit and solvency reporting.

Scope

I, Hua Wen (Clare), FIAA, FNZSA, have been appointed by ZAIL to be its Appointed Actuary for the NZ Branch. The Board of ZAIL has resolved that I prepare this Section 78 report in my capacity as Appointed Actuary of ZAIL (NZ Branch). I am an employee of ZAIL’s holding company, Zurich Financial Services Australia Limited (“ZFS”) and became the Appointed Actuary for ZAIL (NZ Branch) on 20 November 2015. I have no other relationships and interests in ZAIL, ZFS and any other of its subsidiaries.

This is the fourth Section 78 Appointed Actuary Report (“S78 Report”) for ZAIL (NZ Branch). It is in respect of the year ending 31 December 2015 and has been prepared taking into account the S59 exemption provided by RBNZ as set out in its letter to ZAIL dated 11 December 2015.

The audited 2015 ZAIL (NZ Branch) annual financial statements are separately provided with this report.

Compliance

This S78 report is prepared in accordance with requirements set out in

- S59 exemption
- Section 78 of the Act
- the Actuaries Institute Code of Professional Conduct.

Reliance and Limitations

This report is based on the audited accounts for ZAIL (NZ Branch) for the year ending 31 December 2015 and reliance has also been placed upon information supplied by the management and staff of ZAIL.

In completing the review I have relied on the work performed by the Appointed Actuary of ZAIL, especially around the topic on ZAIL's solvency, matters other than the insurance business carried on in New Zealand, and ZAIL's financial statements.

Under the Act, ZAIL is required to present this S78 report with the auditor's report on the financial statements when the auditor's report is registered with the Companies Office or included within the a company's annual report. As such, this report may be distributed in its entirety to Companies Office. If this report is to be made available to any other parties, it must be distributed in its entirety.

I confirm that I am not aware of any limitations and reliances having been placed on me in the preparation of this S78 Report. In my opinion, information provided to me was adequate for the purposes of the S78 Report and all information requested was made to me on a sufficiently timely basis.

Conclusion

I confirm I have reviewed the unearned premium, liability adequacy test, net outstanding claims liability, reinsurance and other recovery asset(s) disclosed in the 2015 ZAIL (NZ Branch) annual financial statements. For the deferred acquisition costs and deferred fee revenue, I have discussed with ZAIL's Financial Accounting Reporting team on the source of information, methodology, and control processes between the Ledger and source systems to ensure the veracity of the information at 31 December 2015.

In my opinion and from an actuarial perspective,

- the actuarial information (as specified in Section 77 of the Act) contained in the 2015 ZAIL (NZ Branch) annual financial statements has been appropriately included in those statements; and
- the actuarial information (as specified in Section 77 of the Act) used in the preparation of the 2015 ZAIL (NZ Branch) annual financial statements has been used appropriately.

Under the S59 exemption, ZAIL is exempted from compliance with the "Solvency Standard for Non-life Insurance Business" and is to report its solvency position under the APRA prudential standards. In my opinion and from an actuarial perspective, ZAIL has an adequate solvency margin (as measured by APRA's capital prudential requirement) as of 31 December 2015.