



10059209810

Allianz 

Allianz New Zealand Limited

**Financial Statements for year ended
31 December 2009**

VPC # 07
- 2 JUN 2010

Allianz New Zealand Limited

Financial statements for the year ended 31 December 2009

Index

Page 1	Index
Page 2	Directors' Declaration
Page 3-4	Audit Report
Page 5	Income Statement
Page 6	Statement of Comprehensive Income
Page 7	Statement of Changes in Equity
Page 8	Statement of Financial Position
Page 9-31	Notes to the Financial Statements

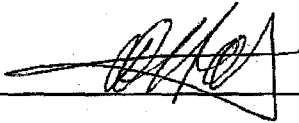
Allianz New Zealand Limited**Directors' Declaration**

The Board of Directors present their Annual Report including the financial statements of Allianz New Zealand Limited ("the Company") for the year ended 31 December 2009 and the auditor's report thereon, which were authorized for issue by Resolution of Directors on 13 May 2010.

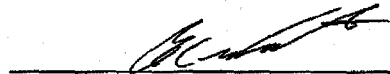
The shareholders of the Company have exercised their rights under section 211 (3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of paragraphs (a) and (e) to (j) of section 211 (1) of the Act.

The registered office and principal place of business is Level 1, Grant Thornton Building, 152 Fanshawe Street, Auckland 1140

For and behalf of the board:



David Hosking



Bruce Watters



Audit report

To the shareholder of Allianz New Zealand Limited

We have audited the financial statements on pages 5 to 31. The financial statements provide information about the past financial performance of the company and its financial position as at 31 December 2009. This information is stated in accordance with the accounting policies set out on pages 9 to 13.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company as at 31 December 2009 and the results of its operations for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the company.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;



- the financial statements on pages 5 to 31:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the company as at 31 December 2009 and the results of its operations for the year ended on that date.

Our audit was completed on 24 May 2010 and our unqualified opinion is expressed as at that date.

KPMG

Auckland

Income Statement

For the year ended 31 December 2009

	NOTE	2009 \$'000	2008 \$'000
Gross Written Premium	7	98,801	88,525
Reinsurance Premium Expense	7	(36,739)	(30,284)
Net Premiums Written		62,062	58,241
Movement in Unearned Premium Reserve		(3,090)	(1,156)
Net Earned Premiums	7	58,972	57,085
Claims Expense		(40,953)	(64,384)
Reinsurance and Other Recoveries		4,896	16,882
Net Claims Incurred	11	(36,057)	(47,502)
Acquisition Costs Expense		(11,929)	(18,820)
Underwriting Result		10,986	(9,237)
Investment Income	9	8,027	6,781
Share of Profits of Associate	17	-	450
General and Administration Expenses		(13,608)	(7,103)
Profit / (Loss) Before Income Tax	10	5,405	(9,109)
Income Tax (Expense)/Benefit	12	(720)	1,789
Profit / (Loss) for the Year		4,685	(7,320)

The Income Statement is to be read in conjunction with the notes to the Financial Statements set out on pages 9 to 31

Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 \$'000	2008 \$'000
Profit/(Loss) for the Year	4,685	(7,320)
<i>Other Comprehensive Income</i>		
Foreign currency translation differences for foreign operations	719	2,617
Income tax on other comprehensive income	(216)	(785)
Total Comprehensive Income for the Year	5,188	(5,488)

The Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements set out on pages 9 to 31

Statement of Changes in Equity

For the year ended 31 December 2009

	Issued share capital	Retained Earnings	Foreign Currency Translation Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000
2009				
At 1 January 2009	20,500	8,402	(503)	28,399
Profit for the year	-	4,685	-	4,685
Other comprehensive income	-	-	503	503
At 31 December 2009	20,500	13,087	-	33,587

	Issued share capital	Retained Earnings	Foreign Currency Translation Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000
2008				
At 1 January 2008	20,500	15,722	(2,335)	33,887
Loss for the year	-	(7,320)	-	(7,320)
Other comprehensive income	-	-	1,832	1,832
At 31 December 2008	20,500	8,402	(503)	28,399

The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements set out on pages 9 to 31.

Statement of Financial Position

As at 31 December 2009

	NOTE	2009 \$'000	2008 \$'000
Current Assets			
Cash and Cash Equivalents	13	17,380	9,173
Premium Debtors		21,390	21,579
Reinsurance and Other Recoveries Receivables	14	6,883	19,116
Loans and Receivables	15	38,873	-
Financial Assets at Fair Value through Profit and Loss	16	42,642	54,757
Asset Held for Sale	17	-	8,011
Deferred Acquisition Costs	18	2,000	2,311
Other Receivables	19	11,645	1,843
Amounts Due from Related Parties	26	60	439
Deferred Reinsurance	20	14,783	9,464
Current Tax Receivable		1,980	1,305
Total Current Assets		157,636	127,998
Non-Current Assets			
Reinsurance and Other Recoveries Receivables	14	20,112	19,782
Financial Assets at Fair Value through Profit and Loss	16	11,041	16,350
Property, Plant and Equipment	21	804	943
Deferred Tax Asset	12	-	155
Total Non-Current Assets		31,957	37,230
TOTAL ASSETS		189,593	165,228
Current Liabilities			
Outstanding Claims Liability	23	22,009	26,591
Unearned Premium Liabilities	24	52,401	45,492
Amounts Due to Related Parties	26	31,208	2,494
Reinsurance Payable		13,037	11,473
Other Current Liabilities	22	3,298	1,904
Total Current Liabilities		121,953	87,954
Non-Current Liabilities			
Outstanding Claims Liability	23	33,385	48,757
Deferred Tax Liabilities	12	565	-
Other Non Current Liabilities	22	103	118
Total Non-Current Liabilities		34,053	48,875
TOTAL LIABILITIES		156,006	136,829
EQUITY		33,587	28,399
TOTAL EQUITY AND LIABILITIES		189,593	165,228

The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements set out on pages 9 to 31.

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allianz New Zealand Limited (the "Company") is a company incorporated and domiciled in New Zealand.

The Company is a general insurer based in Auckland.

The financial statements of the Company are for the year ended 31 December 2009. The financial statements were authorised for issue by the directors on 20 April 2010.

(a) Basis of Preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with and comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), applying the Framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to profit-orientated entities that qualify for and apply differential reporting concessions.

The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 (the "Act") and its financial statements comply with that Act.

The Company qualifies for Differential Reporting exemptions as it has no public accountability, and only one shareholder. All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted, with the exception of NZIAS 12 Income Taxes.

The financial statements are presented in New Zealand Dollars (NZD) and comprise the income statement, statement of comprehensive income, statement of changes in equity, statement of financial position, statement of significant accounting policies and notes to the financial statements. Unless otherwise indicated, amounts are rounded to the nearest thousand.

The financial statements are prepared on a historical cost basis, as modified by certain exceptions noted in the financial statements, with the principal exception being the measurement of financial assets designated at fair value through profit and loss and the measurement of the outstanding claims liability and related reinsurance recoveries as set out below.

Certain comparative balances have been re-classed in order to conform to current year presentation.

(ii) Changes in accounting standards

The accounting policies adopted are consistent with those of the previous reporting period:

The Company has adopted the following new and amended NZ IFRS interpretations as of 1 January 2009:

- Revised NZ IAS 1: *Presentation of Financial Statements*
- NZ IFRS 7 Amendment: *Financial Instruments Disclosures*
- NZ IFRS 4: *Insurance Contracts*

Adoption of these revised standards did not have any material effect on the financial performance or position of the Company. They did however give rise to additional disclosures as noted below.

The principal effects of these changes are as follows:

Revised NZ IAS 1: *Presentation of Financial Statements* separates owner and non-owner changes in equity requiring all owner changes in equity to be presented in a statement of changes in equity, and all non-owner changes either in one statement of comprehensive income or in two separate statements, which are an income statement and a statement of comprehensive income. The previous standard required components of comprehensive income to be presented in the statement of changes in equity. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed.

The Company has elected to present comprehensive income in two separate statements of financial performance and comprehensive income. Information about the individual components of comprehensive income as well as the tax effects has been disclosed.

NZ IFRS 7 Amendment: *Financial Instruments Disclosures* requires an entity to provide a quantitative and qualitative analysis of those instruments recognised at fair value based on a three-level measurement hierarchy and additional disclosures regarding significant transfers between the fair value hierarchy categories. Please refer to note 16.

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Changes in accounting standards (continued)

In accordance with the Amendments to NZ IFRS 4 "Insurance Contracts – The scope of insurance activities and differential reporting concessions" (NZ IFRS 4) which are effective for annual periods beginning on or after 1 January 2009, these financial statements include disclosures for the first time regarding the reconciliation of changes in insurance liabilities and reinsurance assets, and information regarding credit risk, liquidity risk and market risk as required as if the insurance contracts were within the scope of NZ IFRS 7 : Financial Instruments Disclosures. The adoption of the amendments to NZ IFRS 4 resulted in additional disclosures, there being no change to amounts recorded in the financial statements either in the current or prior period.

(iii) Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or in areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4. The Company makes estimates and assumptions in respect to certain key assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(b) Premium revenue recognition

Premium revenue, including that on unclosed business, is recognised in the Income Statement when it has been earned. Premium revenue is recognised in the Income Statement from the attachment date over the period of the contract, except where time does not approximate the pattern of risk. Where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk.

(c) Provision for unearned premium

Unearned premiums are calculated by apportioning the premium revenue written in the year, including premiums rendered by instalments, over the period of risk from the date of attachment using the Daily Pro-rata method. Unearned premiums are recognized as a liability in the Statement of Financial Position.

(d) Investment revenue

Investment revenue includes income from investments and interest income from loans and receivables and is brought to account on an effective interest rate method. Investment revenue includes all realised and unrealised gains and losses (refer (i) below).

(e) Receivables

Receivables include premiums receivable, loans and receivables, unclosed premiums and other receivables provided to or due from third parties. Premiums receivable and other receivables are carried at amortised cost, except where collection is doubtful, an impairment loss is recognised. Loans and receivables represent finance provided to external parties principally for insurance premiums and statutory charges and include interest due. Interest due is earned to provide a constant yield over the term of the loan. Unearned interest is included within unearned income. The unexpired portion of outwards reinsurance premium is included in prepayments.

(f) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, IBNR, and IBNER are initially recognised at fair value and are shown separately on the face of the Income Statement. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

(g) Outwards Reinsurance

Premiums ceded to reinsurers are recognised as outwards reinsurance expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk. Deferred reinsurance is recognized in the Statement of Financial Position from the attachment date and amortised over the period of the contract on a pro rata basis.

(h) Acquisition costs

Acquisition costs are incurred in obtaining and recording policies of insurance. They include commission or brokerage paid to agents or brokers for obtaining business for the insurer, selling and underwriting costs such as advertising and risk assessment, the administrative costs of recording policy information and premium collection costs.

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Acquisition costs (continued)

A portion of acquisition costs related to unearned premium revenue is deferred in recognition that it represents a future benefit. Deferred acquisition costs are amortised in accordance with the expected pattern of the incidence of risk under the related general insurance contracts.

The deferred acquisition costs are taken up to the extent that the related unearned premiums exceed the sum of the deferred acquisition cost and the present value of both future expected claims and settlement costs including an appropriate risk margin. Where there is a shortfall, the deferred acquisition cost asset is written down and if insufficient, an additional unexpired risk liability is recognised.

(i) Investments

All assets backing insurance liabilities are to be recorded at fair value with movements being recognised in the Income statement.

Refer to Note 1(s) for further description of the accounting policies surrounding assets backing general insurance liabilities.

(j) Taxation

The income tax expense or revenue for the period is the total of the current period's taxable income based on the national income tax rate in New Zealand plus/minus prior years under/over provisions and plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves.

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on the national income tax rate in New Zealand. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either the accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The income tax expense or revenue attributable to amounts recognised directly in equity is also recognised directly in equity. The associated current or deferred tax balances are recognised in these accounts.

(l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from the Inland Revenue Department ("IRD"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of IRD is included as part of current receivables and payables in the statement of financial position.

(k) Outstanding claims liability

Claims expense and a liability for outstanding claims are recognised as losses occur. The liability for outstanding claims includes the costs of claims reported but yet to be paid, claims incurred but not yet reported (IBNR), claims incurred but not enough reported (IBNER) and the anticipated direct expenses to be incurred in settling claims and risk margin.

Outstanding claims are assessed by reviewing individual claims files and estimating IBNRs, IBNERs and claims handling costs based on past experience and trends. Outstanding claims are the cost of settling claims including allowance for expected future normal and superimposed inflation. The estimated cash flows are discounted to present value using risk free discount rates. Outstanding claims on all classes are subject to actuarial assessment.

A risk margin is added to the outstanding claims provision to increase the probability that the net liability is adequately provided to a sufficiency level deemed appropriate by the Directors, being 75% (2008: 75%).

Outstanding claims are calculated gross of any reinsurance and other recoveries. A separate estimate is made of the amounts that are recoverable from reinsurers and other third parties under insurance contracts.

Details of specific assumptions used in deriving the outstanding claims liability at year end are detailed in Note 4.

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Foreign currencies

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to New Zealand dollars at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated to New Zealand dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in the translation reserve. On disposal of foreign operations the translation amounts recognised in the reserve are transferred to the Income Statement.

(m) Leased assets

Payments made under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease. Lease incentives received are recognised as a liability and then recognised in the Income Statement over the lease term as an integral part of the total lease expense. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(n) Property, Plant and Equipment

The cost of purchased property plant and equipment is the value of the consideration paid to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

(i) Depreciation

Depreciation is charged on a straight line basis so as to write off the cost of the property plant and equipment to their estimated residual value over their expected economic lives. The estimated economic lives are as follows:

Office Equipment, Furniture and Fittings	5 years
Computer Equipment	4 years
Leasehold Improvements	8 years

(o) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long term service benefits

A liability for long term service benefits is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market determined risk-adjusted discount rates with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(p) Accounts payable and accruals

These amounts represent liabilities for goods and services provided to the Company prior to the end of the reporting period and which are unpaid. Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(q) Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units"). Impairment losses are recognised in the Income Statement.

Notes to the Financial Statements

For the year ended 31 December 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Cash and cash equivalents

Cash is defined as cash at bank, on hand, bank overdrafts and cash equivalents. Cash equivalents include highly liquid investments such as short term deposits, bank accepted bills of exchange and futures margin deposits.

(s) Assets backing general insurance liabilities

As part of its investment strategy, the Company actively manages its investment portfolio to ensure that certain investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities. Accordingly, these assets are measured at fair value in the Statement of Financial Position. The following policies apply to financial assets held to back general insurance liabilities.

Financial assets are designated at fair value through profit and loss. Initial recognition is at cost in the Statement of Financial Position and subsequent measurement is at fair value with any resultant unrealised profits and losses recognised in the Income Statement.

Details of fair value for the different types of financial assets are listed below:

- Cash assets and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amounts of cash assets and bank overdrafts approximate their fair value;
- Premium debtors are stated at amortised cost less impairment losses;
- Fixed interest securities listed on exchanges are initially recognised at fair value at acquisition date and the subsequent fair value measurement is taken as the quoted bid price of the instrument at balance date; and
- Reinsurance receivables are recognized separately on the face of the Income Statement. Recoveries are measured as the present value of the expected receipts, calculated on the same basis as the liability for outstanding claims.
- Loans and receivables - Carrying value approximates fair value as loans and receivables are variable interest rate receivables. Interest due is earned to provide a constant yield over the term of the loan. Unearned interest is included within unearned income.

(t) Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

2. Acquisition

On 1 July 2009 the Company acquired 100% of Hunter Premium Funding Limited NZ Branch operation ("HPF"). HPF provide premium funding services and was previously owned by Allianz Australia Limited. The Company purchased the following assets and liabilities for \$36,460,789. The purchase was funded by cash paid by the Company and a loan from Allianz Australia Insurance Limited: Cash \$13,216,021 and loan: \$23,244,768.

	\$000's
Assets	
Cash and Cash Equivalents	2,336
Loan Control Account	39,000
Prepaid Commission	328
Prepayments	168
Total Assets	41,832
Liabilities	
Unearned Income	(870)
Loan Creditors	(4,082)
Accruals	(43)
Commission Creditors	(155)
Interest Payable	(221)
Total Liabilities	(5,371)
Total Net Assets	\$ 36,461

Notes to the Financial Statements

For the year ended 31 December 2009

3. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management program is based on the defined risk appetite of the Company. Further, the Company seeks to optimize the risk/return profile of its assets and liabilities taking into account market fluctuations. The Company does not invest in equities, but mostly fixed interest bank bills, government bonds and it holds a short term money market account. The Company regularly monitors the performance and compliance of the investment portfolio. The Company's exposure to credit risk, liquidity risk and market risk are detailed below:

(a) Credit risk

Credit risk is the risk of loss from a counterparty failing to meet their obligations. The Company's credit risk arises predominantly from investment activities, reinsurance activities and dealings with intermediaries. The maximum exposure to credit risk is the fair value of individual financial assets. The Company may hold collateral to secure credit risk in some instances.

The Company has no significant concentrations of credit risk. Management limits fixed income credit risk by setting high requirements on the creditworthiness of debtors and by diversifying investments. It is the Company's practice not to place insurance with reinsurers valued below a Standard & Poors 'A minus' rating for short-tail and "A plus" for long-tail classes. The credit terms for the settlement of premiums in New Zealand is 80 days.

During the year the Company acquired 100% of the Hunter Premium Funding NZ branch operations as disclosed in Note 2. As result, the Company now has loans and receivables on its Statement of Financial Position. There is minimal credit risk associated with the premium funding business given that payments from policy holders are received up front and any subsequent non payment results in cancellation of the policy.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to S&P's credit ratings of the counterparties. AAA is the highest possible rating. As at 31 December 2009 the Company holds less than 1% of its investments which were rated lower than BB+. Investments in unit trusts are classified by the Company as Not Rated. These credit ratings are grouped in accordance with the specifications outlined by the Australian Prudential Regulation Authority.

	AAA	AA+ AA AA-	A+ A A-	BBB+ BBB BBB- Not Rated	BB+ or Below	Total
	\$000	\$000	\$000	\$000	\$000	\$000
2009						
Cash and Cash Equivalents	-	17,380	-	-	-	17,380
Premium Debtors	-	-	-	21,390	-	21,390
Reinsurance and other recoveries receivable	1,728	19,220	3,644	2,322	81	26,995
Investment in fixed interest securities	-	42,642	-	-	-	42,642
Investment in Government bonds	-	11,041	-	-	-	11,041
Loans and Receivables	-	-	-	38,873	-	38,873
Amounts due from Related Parties	-	-	-	60	-	60
Other receivables	-	-	-	11,645	-	11,645
Total	1,728	90,283	3,644	74,290	81	170,026
2008						
Cash and Cash Equivalents	-	9,173	-	-	-	9,173
Premium Debtors	-	-	-	21,579	-	21,579
Reinsurance and other recoveries receivable	2,489	27,695	5,290	3,306	118	38,898
Investment in fixed interest securities	-	54,757	-	-	-	54,757
Investment in Government bonds	-	16,350	-	-	-	16,350
Loans and Receivables	-	-	-	-	-	-
Amounts due from Related Parties	-	-	-	439	-	439
Other receivables	-	-	-	1,843	-	1,843
Total	2,489	107,975	5,290	27,167	118	143,039

As at 31 December 2009, there are no assets that are past due or impaired

Notes to the Financial Statements

For the year ended 31 December 2009

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

The Company has processes in place to monitor and forecast the liquidity position. The Company aims to maintain sufficient funds at all times to meet the needs of the Company's operations. In addition to treasury cash held for working capital requirements the Company may hold additional liquid, short term money market securities as required to ensure there are sufficient funds available to meet obligations.

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal carrying balances, as the impact of discounting is not significant.

At 31 December 2009	Maturing in:					Total
	1 Year or Less	1 to 3 Years	3 to 5 Years	Over 5 Years	No Term	
	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets						
Cash and Cash Equivalents	17,380	-	-	-	-	17,380
Premium Debtors	21,390	-	-	-	-	21,390
Reinsurance and Other Recoveries Receivables	7,155	24,112	-	-	-	31,267
Loans and Receivables	38,873	-	-	-	-	38,873
Financial assets designated at Fair Value through P&L	42,642	12,766	-	-	-	55,408
Amounts due from related parties	60	-	-	-	-	60
Other current assets	11,645	-	-	-	-	11,645
Total Financial Assets	139,145	36,878	-	-	-	176,023
Financial Liabilities						
Outstanding Claims Liability	22,897	40,747	-	-	-	63,644
Unearned Premium Liability	52,401	-	-	-	-	52,401
Amounts due to related parties	31,208	-	-	-	-	31,208
Reinsurance Payable	13,037	-	-	-	-	13,037
Other Liabilities	3,298	103	-	-	-	3,401
Total Financial Liabilities	122,841	40,850	-	-	-	163,691

At 31 December 2008	Maturing in:					Total
	1 Year or Less	1 to 3 Years	3 to 5 Years	Over 5 Years	No Term	
	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets						
Cash and Cash Equivalents	9,173	-	-	-	-	9,173
Premium Debtors	21,579	-	-	-	-	21,579
Reinsurance and Other Recoveries Receivables	19,455	23,497	-	-	-	42,952
Loans and Receivables	-	-	-	-	-	-
Financial assets designated at Fair Value through P&L	54,757	18,786	-	-	-	73,543
Amounts due from related parties	439	-	-	-	-	439
Other current assets	1,843	-	-	-	-	1,843
Total	107,246	42,283	-	-	-	149,529
Financial Liabilities						
Outstanding Claims Liability	27,685	55,792	-	-	-	83,477
Unearned Premium Liability	45,492	-	-	-	-	45,492
Amounts due to related parties	2,494	-	-	-	-	2,494
Reinsurance Payable	11,473	-	-	-	-	11,473
Other Liabilities	1,904	118	-	-	-	2,022
Total	89,048	55,910	-	-	-	144,958

Notes to the Financial Statements

For the year ended 31 December 2009

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Market risk is the risk that changes in market pricing will affect the Company's income or carrying value of the Company's financial assets.

(i) Foreign currency risk exposures

The Company's exposure to foreign currency risk is primarily as a result of its investment in Pacific MMI Insurance Ltd. The Company has not entered into any forward exchange contracts to hedge some or all of this exposure. The Company's primary exposure, Pacific MMI, was sold on 21 December 2009. The Company also has receivables, payables and reinsurance arrangements that are denominated in a currency other than the New Zealand dollar (primarily USD). The Company does not have any mechanisms in place to cover the exposure to foreign currency risk, as the amounts involved are not significant. Reinsurance transactions are predominantly settled in the New Zealand Dollar and therefore the Company has minimal foreign currency risk exposure.

(ii) Price risk

The Company does not hold any securities that expose the Company to price risk, or commodity price risk.

(iii) Interest rate risk

The exposure to interest rate risk results from the holding of financial assets in the normal course of business. Fixed interest rate assets create exposure to fair value interest rate risk which is market risk. Financial assets with floating interest rates create exposure to cash flow interest rate risk.

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Company's interest bearing financial assets and financial liabilities to interest rate risks.

	Interest Rate Risk	
	-1%	+1% -
2009		
Financial Assets	Carrying Amount	Profit/Equity
	\$000	\$000
Cash and Cash Equivalents	17,380	(174)
Investment in fixed interest securities	42,642	(426)
Investment in Government bonds	11,041	(110)
Loans and receivables	38,873	(389)
Total Financial Assets	109,936	(1,099)
Financial Liabilities		
Amounts Due to Related Parties	31,208	(312)
Total Financial Liabilities	31,208	(312)
Net Financial Assets	78,728	(787)

Notes to the Financial Statements

For the year ended 31 December 2009

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Summarised sensitivity analysis

	Interest Rate Risk	
	-1%	+1%
Carrying Amount	Profit/Equity	Profit/Equity
\$000	\$000	\$000
2008		
Financial Assets		
Cash and Cash Equivalents	9,173	(92)
Investment in fixed interest securities	54,757	(548)
Investment in Government bonds	16,350	(164)
Loans and receivables	-	-
Total Financial Assets	80,280	(804)
Financial Liabilities		
Amounts Due to Related Parties	2,494	(25)
Total Financial Liabilities	2,494	(25)
Net Financial Assets	77,786	(779)

Notes to the Financial Statements

For the year ended 31 December 2009

4. ACTUARIAL ASSUMPTIONS AND METHODS

a) Actuarial methods

The Company writes a wide range of insurance risks including both short-tail classes and long-tail classes. Claims from short tail classes are typically settled within one year of being reported.

The most significant classes of business as determined by the size of the outstanding claims liability and divided between short tail and long tail are:

Short Tail Classes	Long Tail Classes
Domestic Motor Vehicle	Run-off Workers' Compensation (WC Runoff)
Commercial Motor Vehicle	Public and Products Liability
Householders	Professional Indemnity
Commercial Property	
Pleasure Craft	
Personal Accident	

(i) Short Tail Classes

For short tail classes, the outstanding claims are typically heavily reliant on the level of case reserves with allowance for incurred but not reported (IBNR) and incurred but not enough reported (IBNER) claims based on the past pattern of claims development. The Projected Case Estimate method is used to calculate the outstanding claims central estimates. Claims inflation is implicitly allowed for in the Projected Case Estimate method. Projected payments are discounted to allow for the time value of money.

(ii) Long Tail Classes

These portfolios contain claims that are typically reported and settled more than one year after being incurred

The workers' compensation business is in run-off and has no asbestos exposure. No business has been written in the Professional Indemnity class since 2007.

The Projected Case Estimate method is used for all classes, while the Payment per Claim Incurred method is also used for Run-off Workers' Compensation.

Claims inflation is implicitly allowed for in the two valuation methods used. Projected payments are discounted to allow for the time value of money.

b) Actuarial Assumptions

Disclosure of all assumptions is impractical due to the large number of separate portfolio valuations carried out. The following actuarial assumptions have been made in determining the outstanding claims liabilities and are generally common across portfolios.

	2009 Short Tail	2009 Long Tail	2008 Short Tail	2008 Long Tail
Average Weighted Term to Settlement	0.83 years	4.12 years	0.79 years	3.57 years
Claims Handling Expenses ¹	5.50%	5.50%	5.50%	5.50%
Discount Rate	4.04%	5.59%	4.19%	4.59%
Inflation Rate	N/A	N/A	N/A*	N/A
Superimposed Inflation Rate	N/A	N/A	N/A	N/A

*N/A – not applicable

¹ Claims Handling Expense for WC Runoff is set at 20% for both 2008 and 2009

Notes to the Financial Statements

For the year ended 31 December 2009

4. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

c) Sensitivity Analysis – insurance contracts

(i) Summary

The Company conducts sensitivity analyses to quantify the exposure to risk of changes in the key variables. The actuarial valuations of outstanding claims included in the reported results are calculated using certain assumptions about these variables. The movement in any key variable will impact the performance and equity of the Company. The tables below describe how a change in each assumption will affect the insurance liabilities and show an analysis of the sensitivity of the profit/(loss) and equity to changes in these assumptions both gross and net of reinsurance.

Variable	Impact of movement
Average weighted Term to Settlement	A decrease in the average term to settlement would lead to claims being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims liability. An increase or decrease in the average weighted term would have a corresponding decrease or increase on discounted claims expense respectively.
Claims Handling Expenses	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumptions would have a corresponding impact on claims expense.
Discount Rate	The outstanding claims liability is calculated by reference to expected future payments. The payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.
Inflation rate	Expected future payments are inflated to take account of inflationary increases. An increase or decrease in the assumed levels of inflation would have a corresponding impact on claims expense, with particular reference to longer tail business.

(ii) Impact of changes in key variables

Variable	Movement in variable	Impact on Gross Profit/(Loss) ('000s)		Impact on Net Profit/(Loss) and Equity ('000's)	
		Gross	Net	Gross	Net
Short Tail					
Average Weighted Term to Settlement	+0.5 year	-428	-331	-299	-232
	-0.5 year	429	331	300	232
Claims Handling Expenses	1%	-214	-159	-150	-111
	-1%	214	159	150	111
Discount Rate	+1% p.a.	143	109	100	76
	-1% p.a.	-147	-112	-103	-78
Inflation Rate	+1% p.a.	N/A	N/A	N/A	N/A
	-1% p.a.	N/A	N/A	N/A	N/A
Long Tail					
Average Weighted Term to Settlement	+0.5 year	-262	-187	-183	-131
	-0.5 year	262	187	183	131
Claims Handling Expenses	1%	-130	-89	-91	-62
	-1%	130	89	91	62
Discount Rate	+1% p.a.	479	282	335	198
	-1% p.a.	-541	-314	-379	-220
Inflation Rate	+1% p.a.	-887	-606	-621	-424
	-1% p.a.	753	514	527	360
Superimposed Inflation	+1% p.a.	N/A	N/A	N/A	N/A
	-1% p.a.	N/A	N/A	N/A	N/A

David Koob, Allianz Australia Limited internal actuary is the actuary for the Company. He is a Fellow of Institute of Actuaries of Australia. The outstanding claims reserve disclosed have been calculated in accordance with New Zealand Society of Actuaries Professional Standard No. 4. The effective date of the actuary's report is 31 December 2009. The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability, and there were no qualifications contained in the actuarial advice.

Notes to the Financial Statements

For the year ended 31 December 2009

5. INSURANCE CONTRACTS – RISK MANAGEMENT POLICIES AND PROCEDURES

a) Risk management objectives and policies for mitigating insurance risk

Short-term variability is, to some extent, a feature of insurance business. The Company has an objective to manage insurance risk and reduce the resulting volatility of operating profits.

The Company has a sound and prudent Risk Management Framework ("RMF"). This RMF includes a Risk Management Strategy ("RMS") and a Reinsurance Management Strategy ("ReMS"), and is based on the requirements of our parent company (Allianz Australia Group) to comply with Australian Prudential Standards GPS 220, "Risk Management for General Insurers" and GPS 230, "Reinsurance Arrangements for General Insurers" issued by the Australian Prudential Regulation Authority ("APRA").

The RMF, RMS and ReMS identify the policies, procedures, processes and controls that the Allianz Australia Group utilises to address material risks, financial and non-financial, that are likely to face the company.

Key aspects of the activities established to mitigate risks include the following:

- Actuarial models, using information from management information systems, are used to calculate premiums and monitor claims patterns. Past experience and statistical methods are used as part of the process.
- The underwriting approach seeks diversity to ensure a balanced portfolio and is based on a large portfolio of diverse risks. A balance is maintained between long-tail and short-tail classes. This strategy is cascaded down to individual underwriters through detailed underwriting authorities. Independent underwriting reviews are carried out to ensure compliance with the strategy.
- Reinsurance is used to limit the company's exposure to large single claims and catastrophes. The Company has a combination of proportional and non-proportional reinsurance treaties and employs facultative reinsurance in approved circumstances. When selecting a reinsurer only those companies that provide high security are considered.
- In order to limit concentrations of credit risk in purchasing reinsurance, the Company has regard to existing reinsurance assets and seeks to limit excess exposure to any single reinsurer or group of related reinsurers.

b) Terms and conditions of insurance contracts

Insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage to his or her own property and business interruption arising from this damage. The return to shareholders arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred in administering this function.

The risk on any policy will vary according to many factors such as location, safety measures in place, age of property etc. The terms and conditions attaching to insurance contracts take into account these variables, which affect the level of insurance risk accepted by the Company and the subsequent return.

c) Concentrations of insurance risks

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Company's assets. Such concentrations may arise from a single insurance contract or through a small number of contracts that become related due to geographic proximity or exposure to a single event.

The Company monitors its aggregate position at the time of underwriting a risk and regularly uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses. These stress and scenario tests are run to ensure that exposures remain diversified and or excess loss reinsurance, which has been bought, is adequate.

d) Interest rate risk

The insurance or reinsurance contracts contain no clauses that expose the Company directly to interest rate risk. The insurance and reinsurance contracts are annually renewable and the conditions are negotiable.

e) Credit risk

The Company is exposed to credit risk on insurance contracts as a result of exposure to individual reinsurers. The credit risk to reinsurers is managed through the global Allianz Group having a pre-determined policy on the appropriate rating a reinsurer must have to participate on the insurers reinsurance programme. It is the Company's practice not to place insurance with reinsurers valued below a Standard & Poors "A-" rating for short-tail and "A+" for long-tail classes.

Notes to the Financial Statements

For the year ended 31 December 2009

6. CAPITAL MANAGEMENT STRATEGY

Currently there are no externally imposed restrictions on Allianz NZ in terms of minimum capital. Allianz NZ's capital management strategy is based on the Parent Company's (Allianz Australia Insurance Limited) capital management strategy.

The capital objectives are achieved through dynamic management of the Statement of Financial Position and capital mix, the use of a risk based capital adequacy framework for capital needs that relies on explicit quantification of uncertainty or risk, and the use of internal modelling techniques. The influence on capital needs of product mix, the reinsurance program, catastrophe exposure, investment strategy, profit margins and capital structure are all assessed through internal modelling.

Notes to the Financial Statements

For the year ended 31 December 2009

7 NET EARNED PREMIUMS

	2009 \$'000	2008 \$'000
Gross written premium	98,801	88,525
Movement in unearned premiums	(3,090)	(1,156)
Premium revenue	95,711	87,369
Outwards reinsurance premiums	(36,739)	(30,284)
Net Earned Premiums	58,972	57,085

8 OPERATING INCOME

	Note	2009 \$'000	2008 \$'000
Premium revenue		98,801	88,525
Investment income	9	8,027	6,781
Income from associate	17	-	450
		106,828	95,756

9 INVESTMENT INCOME

	2009 \$'000	2008 \$'000
Interest on Government stock	926	1,136
Interest Income - Loans and Receivables	3,316	-
Other interest	4,934	4,398
Unrealised Gain/(Loss) on revaluation of investments	(177)	1,182
Realised Gain/(Loss) on investments held for sale	(1,697)	-
Realised Gain/(Loss) on financial assets at fair value through Profit and Loss	(250)	-
Other income	975	65
	8,027	6,781

10 PROFIT/(LOSS) BEFORE INCOME TAX

	2009 \$'000	2008 \$'000
<i>The profit / (loss) before taxation is stated after charging/(crediting)</i>		
Auditor's Remuneration		
- audit of financial statements	95	95
- other audit related services	7	7
Bad and Doubtful Debts Expense	262	19
Depreciation		
- Computer hardware	1	1
- Leasehold equipment	143	147
- Office equipment, furniture and fittings	3	-
Premium funding administration expenses	1,262	-
Expenses relating to 'Workbench' project	872	-
Interest expense	502	-
Directors' fees	-	40
Operating Lease Payments	575	589

Other audit related services include fees for work on the Trust Deed, Insurance Companies Deposit Act and Solvency Statement.

Notes to the Financial Statements

For the year ended 31 December 2009

11 NET CLAIMS INCURRED

	2009			2008		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross claims incurred	(57,788)	16,931	(40,857)	(62,775)	875	(61,900)
Reinsurance recoveries	11,261	(6,365)	4,896	12,588	4,294	16,882
Discount movement	616	(712)	(96)	799	(3,283)	(2,484)
Net Claims Incurred	(45,911)	9,854	(36,057)	(49,388)	1,886	(47,502)

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years. The majority of the 2009 prior year claims relate to one claim paid out in relation to weather events which occurred in December 2007.

12 INCOME TAX (EXPENSE)/BENEFIT

(i) Recognised in the Income Statement

	2009	2008
	\$'000	\$'000
Current Tax Expense/ (Benefit)		
Current Year	-	(1,418)
Movement in deferred tax balance recognised in the Income Statement	720	(371)
Total recognised income tax expense/(benefit) in Income Statement	720	(1,789)

(ii) Reconciliation of effective tax rate

Profit / (Loss) before tax	5,405	(9,109)
Income tax at 30%	(1,621)	(2,733)
Non-deductible expenses	150	10
Prior year unrecognised tax losses utilised	2,166	-
Prior period adjustment	(695)	1,305
Total income tax expense/(benefit) in Income Statement	-	(1,418)

(iii) Deferred Tax Liability/(Asset)

Employee provisions	(147)	(149)
Deferred acquisition costs	2,000	2,311
Claims Administration Expense Reserve	-	(2,374)
Provision for Doubtful Debts	(377)	(282)
Lease incentive liability	(103)	-
Accounting carrying value of fixed assets	796	939
Tax base of fixed assets	(853)	(962)
	1,316	(517)

Tax effect

	395	(155)
Less: Deferred tax on carried forward losses	170	-
Deferred Tax Liability/(Asset)	565	(155)

Prior period adjustment relates primarily to the closing balance of the claims administration expense reserve. This was treated as deductible in the 31 December 2008 tax return due to a law change after the statutory accounts were prepared.

The Company is in a profit making position and is anticipated to continue to make profits in the foreseeable future. Given this, the Company has recognized deferred tax asset attaching to carried forward losses.

Notes to the Financial Statements

For the year ended 31 December 2009

13 Cash and Cash Equivalents

	2009	2008
	\$'000	\$'000
Cash and Cash Equivalents	17,380	9,173

The Company has a Letter of Credit Facility available of US\$823,317 in relation to Allianz Global Corporate & Specialty contracts placed in the USA, and a Payroll Letter of Credit facility available of \$150,000. As at 31 December 2009, there are no outstanding amounts in respect of either facility.

14 REINSURANCE AND OTHER RECOVERIES RECEIVABLES

	2009	2008
	\$'000	\$'000
Recoveries (undiscounted)	31,267	42,952
Discount to present value	(4,272)	(4,054)
Reinsurance and other recoveries receivable	26,995	38,898

15 LOANS AND RECEIVABLES

	2009	2008
	\$'000	\$'000
Loans and receivables	40,355	-
Less: Unearned income	(1,240)	-
	39,115	-
Less: Impairment loss	(242)	-
Total Loans and Receivables	38,873	-

16 FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

The analysis of financial assets and liabilities into their categories and classes are set out in the following table:

2009	Total	Loans and Receivables	Fair Value through Profit and Loss
Financial Assets	\$000	\$000	\$000
Cash and Cash Equivalents	17,380	17,380	-
Premium Debtors	21,390	21,390	-
Reinsurance and other Recoveries Receivables	26,995	-	26,995
Amounts due from Related Parties	60	60	-
Investment in fixed interest securities	42,642	-	42,642
Investment in Government bonds	11,041	-	11,041
Other receivables	11,645	11,645	-
Loans and receivables	38,873	38,873	-
	170,026	89,348	80,678

	Total \$000	Fair Value through Profit and Loss \$000	Financial liabilities at amortised cost \$000
Financial Liabilities			
Reinsurance Payable	13,037	-	13,037
Amounts Due to Related Parties	31,208	-	31,208
Outstanding Claims Liability	55,394	55,394	-
Other Liabilities	3,401	-	3,401
	103,040	55,394	47,646

Notes to the Financial Statements

For the year ended 31 December 2009

16 FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

2008	Total	Loans and Receivables	Fair Value through Profit and Loss
	\$000	\$000	\$000
Financial Assets			
Cash and Cash Equivalents	9,173	9,173	-
Premium Debtors	21,579	21,579	-
Reinsurance and other Recoveries Receivables	38,898	-	38,898
Amounts due from Related Parties	439	439	-
Investment in fixed interest securities	54,757	-	54,757
Investment in Government bonds	16,350	-	16,350
Other receivables	1,843	1,843	-
Loans and receivables	-	-	-
	143,039	33,034	110,005
	Total	Fair Value through Profit and Loss	Financial liabilities at amortised cost
	\$000	\$000	\$000
Financial Liabilities			
Reinsurance Payable	11,473	-	11,473
Amounts Due to Related Parties	2,494	-	2,494
Outstanding Claims Liability	75,348	75,348	-
Other Liabilities	2,022	-	2,022
	91,337	75,348	15,989

Financial assets at fair value through profit and loss are valued using Level 1 inputs (quoted market prices). Included within Government Bonds is \$600,000 held with Public Trust as an insurance security deposit.

17 ASSET HELD FOR SALE

As at 31 December 2008 the investment in associate was reclassified as Held of Sale and comprises:

	Percentage	Balance Date	Principal Activity	Country
Pacific MMI Insurance Limited	50%	31 December	General Insurance	Papua New Guinea

As at December 2009, the Company sold its shares in Pacific MMI Insurance Limited. The purchase and sale agreement was signed on 21 December 2009. As at 31 December 2009, the Company was owed proceeds for the sale and therefore the asset held for sale has been reclassified to other receivables. Refer to note 19.

On 7 January 2010, the Company received funds for the sale of \$11,500,000 Kina equivalent to \$5,520,000 New Zealand dollars at an exchange rate of 0.4800.

Foreign currency loss recognised as at 31 December 2009 is \$ 1,243,107 recorded in Realised Loss on Revaluation of Investment. Associated Foreign Currency Translation Reserve balance of \$503,000 has been reclassified to the Income Statement upon sale and is included within Realised Loss on Revaluation of Investment.

In respect of the year ended 31 December 2008, the Company's share of associate's earnings totalled \$450,000.

Notes to the Financial Statements

For the year ended 31 December 2009

18 DEFERRED ACQUISITION COSTS

	2009 \$'000	2008 \$'000
Balance at 1 January	2,311	6,579
Acquisition costs deferred	20,641	23,355
Amortisation charged to income	(11,929)	(18,820)
Write down for premium deficiency	(9,023)	(8,803)
Balance at 31 December	2,000	2,311
Calculation of deficiency		
Unearned premium liability	52,401	45,492
Related reinsurance asset	(19,794)	(13,820)
Related deferred acquisition costs	(11,023)	(11,114)
	21,584	20,558
 Net central estimate of present value of expected future cashflows arising from future claims	 24,379	 22,883
Risk margin	6,228	6,478
	30,607	29,361
 Total deficiency recognised in the Income Statement	 (9,023)	 (8,803)

The liability adequacy test ("LAT") is carried out for portfolios of contracts within New Zealand that are subject to broadly similar risks that are managed together as a single portfolio.

The process for determining the overall risk margin, including the way in which diversification of risks has been allowed for is discussed in Note 23. As with outstanding claims, the overall risk margin is intended to achieve a probability of sufficiency (PoS) of 75% (2008: 75%).

19 OTHER RECEIVABLES

	2009 \$'000	2008 \$'000
Sundry Debtors & Prepayments	11,645	1,843
Total Other Receivables	11,645	1,843

Sundry debtors & prepayments include an amount of \$6,178,950 in connection with the sale of our investment in Pacific MMI.

20 DEFERRED REINSURANCE

	2009 \$'000	2008 \$'000
Balance at 1 January	9,464	9,797
Reinsurance Premium Written	36,739	30,284
Reinsurance Premium Expensed	(31,420)	(30,617)
Balance at 31 December	14,783	9,464

Notes to the Financial Statements

For the year ended 31 December 2009

21 PROPERTY, PLANT AND EQUIPMENT

	2009			2008		
	Cost \$'000	Accumulated Dep'n \$'000	Net Book Value \$'000	Cost \$'000	Accumulated Dep'n \$'000	Net Book Value \$'000
Office Equipment, Furniture and Fittings	18	(10)	8	11	(7)	4
Leasehold Improvements	1,141	(345)	796	1,141	(202)	939
Computer Equipment	24	(24)	-	23	(23)	-
Total Fixed Assets	1,183	(379)	804	1,175	(232)	943

22 OTHER LIABILITIES

	2009 \$'000	2008 \$'000
Current Liabilities		
Sundry Creditors and Accruals	3,129	1,727
Employee Entitlements	147	147
Lease Incentive	22	30
Total Other Current Liabilities	3,298	1,904
Non Current Liabilities		
Lease Incentive	103	118
Total Other Non Current Liabilities	103	118

23 OUTSTANDING CLAIMS LIABILITY

	2009 \$'000	2008 \$'000
Central Estimate	57,581	75,369
Risk Margin	4,113	5,734
Claims handling costs	1,950	2,374
	63,644	83,477
Discount to present value	(8,250)	(8,129)
Gross Outstanding Claims Liability	55,394	75,348
Current	22,009	26,591
Non-Current	33,385	48,757
Liability for outstanding claims	55,394	75,348

(a) Risk Margin

A liability for outstanding claims is recognised being the central estimate of the present value of the expected future payments for claims incurred plus an additional explicit risk margin.

The risk margin percentage adopted in determining the outstanding claims liability in 2009 is 15% (31 December 2008: 16.1%). The risk margin is determined on a basis that reflects the Company's business, regard being had for the robustness of the valuation models, the reliability and volume of available data, past experience of the Company and the characteristics of the classes of business written. This process allowed for the benefit of diversification by allowing for correlations of less than 100% between classes of business.

The probability of adequacy intended to be achieved through the adoption of the risk margin is 75% (2008: 75%).

b) Expected term to settlement

The weighted average expected term to settlement from the balance date is disclosed in Note 4 (b) above.

Notes to the Financial Statements

For the year ended 31 December 2009

23 OUTSTANDING CLAIMS LIABILITY (continued)

c) Claims Development Table

The following table shows the development of gross and net of reinsurance discounted outstanding claims relative to the ultimate expected claims for the five most recent underwriting years

(i) Gross

Accident year	2003 and prior	2004	2005	2006	2007	2008	2009	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of cumulative claims:								
At the end of accident year	74,463	1,964	3,185	2,083	2,643	2,174	3,307	
One year later	79,022	989	1,147	1,469	1,564	2,019		
Two years later	78,936	702	2,060	813	1,148			
Three years later	81,880	387	1,956	689				
Four years later	85,051	379	1,844					
Five years later	82,213	342						
Six years later	81,534							
Estimate of cumulative claims	81,534	342	1,844	689	1,148	2,019	3,307	90,883
Cumulative payments	68,223	321	926	624	973	769	467	72,303
Claims outstanding - undiscounted	13,311	21	918	65	175	1,250	2,840	18,580
Discount	4,881	2	139	11	27	210	326	5,596
Claims outstanding - discounted	8,430	19	779	54	148	1,040	2,514	12,984
Short tail classes								37,244
Risk margins - discounted								3,638
Claims handling expenses								1,528
Total gross outstanding claims								55,394

(ii) Net

Accident year	2003 and prior	2004	2005	2006	2007	2008	2009	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of cumulative claims:								
At the end of accident year	50,997	1,683	1,668	1,389	1,829	1,795	2,325	
One year later	50,750	675	1,090	887	1,330	1,714		
Two years later	51,219	701	2,033	748	1,018			
Three years later	53,310	385	1,931	630				
Four years later	53,323	378	1,819					
Five years later	55,720	341						
Six years later	53,645							
Estimate of cumulative claims	53,645	341	1,819	630	1,018	1,714	2,325	61,492
Cumulative payments	46,820	320	901	565	899	717	467	50,689
Claims outstanding - undiscounted	6,825	21	918	65	119	997	1,858	10,803
Discount	2,055	2	139	11	20	151	225	2,603
Claims outstanding - discounted	4,770	19	779	54	99	846	1,633	8,200
Short tail classes								15,033
Risk margins - discounted								3,638
Claims handling expenses								1,528
Total net outstanding claims								28,399

Notes to the Financial Statements

For the year ended 31 December 2009

23 OUTSTANDING CLAIMS LIABILITY (continued)

(c) Reconciliation of movement in discounted outstanding claims liability:

	2009			2008		
	Gross \$000's	Reinsurance \$000's	Net \$000's	Gross \$000's	Reinsurance \$000's	Net \$000's
Balance as at 1 January	75,348	(38,898)	36,450	63,864	(29,838)	34,026
Current year claims incurred	58,097	(12,186)	45,911	62,558	(13,171)	49,387
Change in previous years' claims	(14,809)	4,955	(9,854)	6,204	(8,089)	(1,885)
Current year claims paid/RI recovered	(37,227)	5,196	(32,031)	(36,297)	5,388	(30,909)
Previous year claims paid/RI recovered	(26,015)	13,938	(12,077)	(20,059)	6,812	(13,247)
Foreign currency translations	-	-	-	(922)	-	(922)
Balance as at 31 December	55,394	(26,995)	28,399	75,348	(38,898)	36,450

24 UNEARNED PREMIUM LIABILITIES

	2009 \$'000	2008 \$'000
Unearned Premium Liability at 1 January	45,492	44,584
Deferral of premiums on contracts written	98,801	88,525
Earning of premiums written in current and previous year	(91,892)	(87,617)
Unearned Premium Liability at 31 December	52,401	45,492

25 PAID IN SHARE CAPITAL

	2009 \$'000	2008 \$'000
Balance at 1 January 2009	20,500	20,500
Balance as at 31 December 2009	20,500	20,500

The company has 21,377,256 (2008: 21,377,256) ordinary fully paid shares. All shares have equal voting rights.

26 RELATED PARTIES

The relationship between Allianz New Zealand Ltd and its related parties above is summarised in the table below:

Related Party	Relationship to Allianz New Zealand Ltd
Allianz Australia Limited	Parent company of Allianz New Zealand Ltd, a company incorporated in Australia.
Hunter Premium Funding Australia (HPF Aust)	Subsidiary of Allianz Australia Ltd, and parent of Hunter Premium Funding New Zealand
Club Marine Limited	100% owned subsidiary of Allianz Australia Ltd.
Switzerland Insurance Australia Ltd (SIAL)	100% owned subsidiary of Allianz Australia Ltd.
Euler Hermes Trade Credit Ltd	100% owned subsidiary of Euler Hermes Kreditversicherungs S.A., a 100% owned subsidiary of Euler Hermes S.A., a member of the Allianz SE Group
Allianz SE	Ultimate parent entity of Allianz Australia Limited

Notes to the Financial Statements

For the year ended 31 December 2009

26 RELATED PARTIES (continued)

	2009 \$'000	2008 \$'000
Amounts due from Related Parties		
Amount Due from Euler Hermes Trade Credit	60	439
Total Amounts due from Related Parties	60	439
Amounts due to Related Parties		
Amount Due To Allianz Australia Limited	30,979	2,420
Amount Due To Club Marine Limited	134	74
Amount Due to Euler Hermes Trade Credit	95	-
Total Amounts due to Related Parties	31,208	2,494

The transactions with Allianz Australia Limited are for usage of computer systems \$2,160,370 (2008: \$1,146,786), head office and technical charges \$1,869,835 (2008: \$1,519,591) reinsurance \$1,366,421 (2008: \$1,159,285) and a loan for the purchase of the HPF acquisition \$23,244,768 (2008: Nil).

The transactions with Hunter Premium Funding Australia are in relation to expenses incurred on their behalf and recharged.

The transactions with Allianz Global Corporate & Specialty are trade receivables in nature, primarily reinsurance recoveries. Total reinsurance receivables from related parties amounted to \$17,287,649 (2008: \$19,780,551) and are included as part of the Reinsurance and other Recoveries Receivable on the Statement of Financial Position.

The transactions with Club Marine Limited are in relation to expenses incurred on our behalf and recharged.

The balance of the transaction due to Switzerland Insurance Australia Ltd relate to government bonds held by Allianz New Zealand Ltd.

The transactions with Euler Hermes Trade Credit Ltd are in relation to commission payable, and expenses incurred on their behalf and recharged.

The amounts are unsecured and repayable on demand. The terms and conditions of the transactions with related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non related parties on an arm's length basis.

27 CONTINGENT LIABILITIES

The Company has no contingent liabilities at 31 December 2009 (31 December 2008: Nil).

28 CAPITAL COMMITMENT

The Company has no commitments for future capital expenditure at 31 December 2009 (31 December 2008: Nil).

29 OPERATING LEASE COMMITMENTS

	2009 \$'000	2008 \$'000
Obligations payable after balance date on non cancellable operating leases are as follows:		
Not later than one year	545	544
Later than one year and not later than 5 years	1,842	2,093
Later than 5 years	-	217
Total Lease Commitments	2,387	2,854

The Company leases premises, motor vehicles, plant and equipment. Operating leases held over properties give the Company the right to renew the lease subject to a re-determination of the lease rental. There are no renewal options, or options to purchase in respect of operating leases of motor vehicles and plant and equipment.

Notes to the Financial Statements

For the year ended 31 December 2009

30 INSURER FINANCIAL STRENGTH RATING

In terms of the Insurance Companies (Rating and Inspection) Act 1994 the Company undergoes an annual financial strength rating. The rating reviews are performed by Standard and Poor's (Australia) Pty Limited. At the date of this report, the rating assigned to the Company was A. This rating represents a strong financial security.

31 SOLVENCY

The Company's policy is to retain a level of share capital and reserves which enables it to maintain a solvency margin sufficient to retain an A financial strength rating.

32 REINSURANCE PROGRAMME

The Company's reinsurance programme arrangements include substantial provision for catastrophic reinsurance, which provides reinsurance cover for earthquake, flood and other catastrophic risks. The amount of reinsurance available under the catastrophic programme is based upon the Company's calculated maximum probable loss in the event of a 7.5 Richter scale earthquake in the fault line around Wellington, which geologists regard as the highest risk area in New Zealand. The Company uses the services of AON Re Australia in determining the maximum probable loss. The reinsurance programme arrangements for risks other than catastrophic reinsurance are designed to ensure that no single event or series of events will strain the Company's share capital reserves.

33 EVENTS SUBSEQUENT TO BALANCE DATE

The Company received cash for the sale of Pacific MMI on 11 January 2010, which resulted in a foreign currency loss of \$685,000.