Allianz

Allianz New Zealand Limited

Financial Statements for year ended 31 December 2012

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Allianz New Zealand Limited

Directors' Declaration

In the opinion of the directors of Allianz New Zealand Limited ("the Company"), the financial statements and notes, on pages 5 to 34:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the company as at 31 December 2012 and the results of operations for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of Allianz New Zealand Limited for the year ended 31 December 2012.

For and on behalf of the Board of Directors:

For and behalf of the board:

David Hosking

Bruce Watters

KPMG

Independent Auditor's Report

To the Shareholders of Allianz New Zealand Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Allianz New Zealand Limited ("the company") on pages 5 to 33. The financial statements comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion the financial statements of Allianz New Zealand Limited on pages 5 to 34:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company as at 31 December 2012 and of its financial performance for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of section 16(1)(d) and section 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Allianz New Zealand Limited as far as appears from our examination of those records.

KPMG

KPMG

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Andrew Reeves
Partner

Sydney

30 April 2013

Allianz

Statement of Comprehensive Income

For the year ended 31 December 2012

	NOTE	2012 $'000	2011 $'000
Gross Written Premium	6	140,639	141,573
Outwards Reinsurance Premium	6	(69,431)	(64,797)
Net Premiums Written		71,208	76,776
Movement in Unearned Premium Liabilities		(7,575)	(8,355)
Net Earned Premiums	6	63,633	68,421
Claims Expense		(37,970)	(532,054)
Reinsurance and Other Recoveries		1,058	468,788
Net Claims Incurred	12	(36,912)	(63,266)
Acquisition Costs		(22,244)	(17,572)
Other Underwriting Expenses		(7,872)	(7,621)
Underwriting Result		**(3,395)**	**(20,038)**
Investment Income	8	12,537	10,638
General and Administration Expenses	9	(6,121)	(6,113)
Operating profit/(loss)		**3,021**	**(15,513)**
Finance Costs	10	(2,207)	(1,645)
Profit Before Income Tax		**814**	**(17,158)**
Income Tax (Expense)/Benefit	13	(526)	4,802
Profit/(Loss) for the Year		**288**	**(12,356)**
Other Comprehensive Income			
Other comprehensive income		-	-
Total Comprehensive Income for the Year		**288**	**(12,356)**

The Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements set out on pages 9 to 34.

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Statement of Financial Position

As at 31 December 2012

	NOTE	2012 $'000	2011 $'000
Current Assets			
Cash and Cash Equivalents	14	89,079	39,045
Premium Debtors		39,795	29,608
Reinsurance and Other Recoveries Receivable	15	171,642	393,208
Loans and Receivables	16	72,986	64,561
Deferred Acquisition Costs	18	4,781	7,541
Other Receivables	19	29,285	29,252
Amounts Due from Related Parties	26	4,585	2,762
Deferred Reinsurance	20	16,908	14,507
Total Current Assets		**429,061**	**580,484**
Non-Current Assets			
Reinsurance and Other Recoveries Receivables	15	56,703	67,426
Financial Assets at Fair Value through Profit and Loss	17	10,660	11,059
Property, Plant and Equipment	21	424	581
Deferred Tax Asset	13	4,893	5,517
Total Non-Current Assets		**72,680**	**84,583**
TOTAL ASSETS		**501,741**	**665,067**
Current Liabilities			
Outstanding Claims Liabilities	23	207,459	414,495
Unearned Premium Liabilities	24	70,642	60,667
Amounts Due to Related Parties	26	94,812	40,363
Reinsurance Payable		23,576	11,383
Other Current Liabilities	22	5,178	2,547
Total Current Liabilities		**401,667**	**529,455**
Non-Current Liabilities			
Outstanding Claims Liabilities	23	63,949	99,752
Other Non Current Liabilities	22	35	58
Total Non-Current Liabilities		**63,984**	**99,810**
TOTAL LIABILITIES		**465,651**	**629,265**
EQUITY		**36,090**	**35,802**
TOTAL EQUITY AND LIABILITIES		**501,741**	**665,067**

The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements set out on pages 9 to 34.

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Statement of Changes in Equity

For the year ended 31 December 2012

2012	Issued share capital	Retained Earnings	Total Equity
	$'000	$'000	$'000
At 1 January 2012	38,500	(2,698)	**35,802**
Profit for the year	-	288	**288**
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	288	**288**
Issue of ordinary shares	-	-	-
Dividend paid during the year	-	-	-
Total transactions with owners	-	-	-
At 31 December 2012	**38,500**	**(2,410)**	**36,090**

2011	Issued share capital	Retained Earnings	Total Equity
	$'000	$'000	$'000
At 1 January 2011	20,500	9,658	**30,158**
Loss for the year	-	(12,356)	**(12,356)**
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(12,356)	**(12,356)**
Issue of ordinary shares	18,000	-	**18,000**
Dividend paid during the year	-	-	-
Total transactions with owners	18,000	-	**18,000**
At 31 December 2011	**38,500**	**(2,698)**	**35,802**

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 34.

Notes to the Financial Statements
For the year ended 31 December 2012

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Notes to the Financial Statements

For the year ended 31 December 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

Allianz New Zealand Limited (the "Company") is a company incorporated and domiciled in New Zealand. The address of the Company's registered office is Level 1, Grant Thornton Building, 152 Fanshawe Street, Auckland 1010, New Zealand.

The Company is a general insurer based in Auckland.

The financial statements of the Company are for the year ended 31 December 2012. The financial statements were authorised for issue by the directors at the date of this report.

(b) 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. This is a profit-orientated entity.

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 NZ IAS 12.

(ii) Basis of Measurement

The financial statements are presented in New Zealand Dollars (NZD) which is the functional currency of the entity and comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, summary 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.

(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 3. 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.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(c) Premium revenue recognition

Premium revenue, including that on unclosed business, is recognised in the Statement of Comprehensive Income when it has been earned. Premium revenue is recognised in the Statement of Comprehensive Income 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.

(d) 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, unless time does not approximate to the pattern of risk. Unearned premiums are recognized as a liability in the Statement of Financial Position.

(e) 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 (j) below).

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 deferred reinsurance.

(g) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, incurred but not yet reported (IBNR), and incurred but not enough reported (IBNER) are initially recognised at fair value and are shown separately on the face of the Statement of Comprehensive Income. 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.

(h) 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 recognised in the Statement of Financial Position from the attachment date and amortised over the period of the contract on a daily pro-rata method basis.

(i) 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.

The 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.

(j) Investments

All assets backing insurance liabilities are to be recorded at fair value with movements being recognised in the Statement of Comprehensive Income. Purchases and sales of financial assets are accounted for at settlement.

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

(k) 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. Deferred tax is provided in full using the liability method.

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.

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Notes to the Financial Statements (continued)

For the year ended 31 December 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Taxation (continued)

(i) 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 included as part of current receivables and payables in the statement of financial position.

(l) 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 a 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% (2011: 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 3.

(m) Foreign currencies

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 Statement of Comprehensive Income.

(n) Leased assets

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease. Lease incentives received are recognised as a liability and then recognised in the Statement of Comprehensive Income 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.

(o) 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

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) 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.

(r) 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 Statement of Comprehensive Income.

(s) Cash and cash equivalents

Cash is defined as cash at bank, on hand, bank overdrafts and cash equivalents, with an original maturity of 90 days or less. Cash equivalents include highly liquid investments such as short term deposits & bank accepted bills of exchange.

(t) 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 as available for sale. 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 Statement of Comprehensive Income, net of any interest income earned.

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 Statement of Comprehensive Income. 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.

(u) 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.

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Notes to the Financial Statements (continued)

For the year ended 31 December 2012

2. 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 it's 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 has no significant concentrations of credit risk outside of the Allianz SE Group. 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.

Loans and receivables from the Hunter Premium Funding operations have a minimal credit risk associated 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 financial assets according to S&P's credit ratings of the counterparties. AAA is the highest possible rating. As at 31 December 2012 the Company holds no 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	Total
	$000	$000	$000	$000	$000	$000
2012						
Cash and Cash Equivalents	-	89,079	-	-	-	89,079
Premium Debtors	-	-	-	-	39,795	39,795
Reinsurance and other recoveries receivable	-	201,589	18,637	-	8,119	228,346
Investment in Government bonds	-	10,660	-	-	-	10,660
Loans and Receivables	-	-	-	-	72,986	72,986
Amounts due from Related Parties	-	-	-	-	4,585	4,585
Other receivables	-	5,101	-	-	24,184	29,285
Total	**-**	**306,429**	**18,637**	**-**	**149,669**	**474,736**
2011						
Cash and Cash Equivalents	-	39,045	-	-	-	39,045
Premium Debtors	-	-	-	-	29,608	29,608
Reinsurance and other recoveries receivable	-	411,635	35,856	-	13,143	460,634
Investment in Government bonds	-	11,059	-	-	-	11,059
Loans and Receivables	-	-	-	-	64,561	64,561
Amounts due from Related Parties	-	-	-	-	2,762	2,762
Other receivables	-	18,078	2,955	-	8,219	29,252
Total	**-**	**479,817**	**38,811**	**-**	**118,293**	**636,921**

As at 31 December 2012, there are no assets that are past due or impaired.

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

2. 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. Hunter Premium Funding New Zealand has a lending cap of $36m issued to external customers and this is monitored for collateral purposes against the net assets of the company on a daily basis. 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 2012	Maturing in: 1 Year or Less $000	1 to 3 Years $000	3 to 5 Years $000	Over 5 Years $000	No Term $000	Total $000
Financial Assets						
Cash and Cash Equivalents	89,079	-	-	-	-	89,079
Premium Debtors	39,795	-	-	-	-	39,795
Reinsurance and Other Recoveries Receivables	174,032	53,933	3,516	1,298	-	232,779
Loans and Receivables	72,986	-	-	-	-	72,986
Financial assets designated at Fair Value through P&L	-	10,660	-	-	-	10,660
Amounts due from related parties	4,585	-	-	-	-	4,585
Other receivables	29,285	-	-	-	-	29,285
Total Financial Assets	**409,762**	**64,593**	**3,516**	**1,298**	**-**	**479,169**
Financial Liabilities						
Outstanding Claims Liabilities	208,877	61,062	4,746	1,947	-	276,632
Unearned Premium Liabilities	70,642	-	-	-	-	70,642
Amounts due to related parties	94,812	-	-	-	-	94,812
Reinsurance Payable	23,576	-	-	-	-	23,576
Other Liabilities	5,178	35	-	-	-	5,213
Total Financial Liabilities	**403,085**	**61,097**	**4,746**	**1,947**	**-**	**470,875**

At 31 December 2011	Maturing in: 1 Year or Less $000	1 to 3 Years $000	3 to 5 Years $000	Over 5 Years $000	No Term $000	Total $000
Financial Assets						
Cash and Cash Equivalents	39,045	-	-	-	-	39,045
Premium Debtors	29,608	-	-	-	-	29,608
Reinsurance and Other Recoveries Receivables	399,107	49,140	15,703	4,752	-	468,702
Loans and Receivables	64,561	-	-	-	-	64,561
Financial assets designated at Fair Value through P&L	-	11,059	-	-	-	11,059
Amounts due from related parties	2,762	-	-	-	-	2,762
Other receivables	29,252	-	-	-	-	29,252
Total Financial Assets	**564,335**	**60,199**	**15,703**	**4,752**	**-**	**644,989**
Financial Liabilities						
Outstanding Claims Liabilities	439,320	59,689	18,751	7,328	-	525,088
Unearned Premium Liabilities	60,667	-	-	-	-	60,667
Amounts due to related parties	40,363	-	-	-	-	40,363
Reinsurance Payable	11,383	-	-	-	-	11,383
Other Liabilities	2,547	58	-	-	-	2,605
Total Financial Liabilities	**554,280**	**59,747**	**18,751**	**7,328**	**-**	**640,106**

The payment pattern for all claims arising from the Christchurch earthquakes was assumed to be the same as the Commercial Property payment pattern. Due to a lack of other information, this benchmark was considered appropriate.

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

2. 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 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. The entity holds 2 portfolios of interest bearing securities and several banking facilities. Each of these is monitored daily.

(iv) Summarised sensitivity analysis

The following table summarises the impact of increases/decreases in interest rates on the Company's post-tax profit for the year and on equity. The analysis is based on the assumption that the movement in interest rates had increased/decreased by 1% with all other variables held constant and all the equity instruments moved in line with the index.

		Interest Rate Risk	
		-1%	1%
	Carrying Amount	Profit/Equity	Profit/Equity
2012	**$000**	**$000**	**$000**
Financial Assets - Interest bearing			
Cash and Cash Equivalents	89,079	(891)	891
Investment in fixed interest securities	47	(0)	0
Investment in Government bonds	10,613	23	(23)
Financial Assets - Non Interest bearing			
Loans and receivables	72,986	(730)	730
Total Financial Assets	**172,725**	**(1,598)**	**1,598**
Financial Assets - Non Interest bearing			
Amounts Due to Related Parties	94,812	(948)	948
Total Financial Liabilities	**94,812**	**(948)**	**948**
Net Financial Assets	**77,913**	**(650)**	**650**

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Notes to the Financial Statements (continued)

For the year ended 31 December 2012

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iv) Summarised sensitivity analysis (continued)

		Interest Rate Risk	
		-1%	1%
2011	**Carrying Amount $000**	**Profit/Equity $000**	**Profit/Equity $000**
Financial Assets - Interest bearing			
Cash and Cash Equivalents	39,045	(390)	390
Investment in fixed interest securities	47	(0)	0
Investment in Government bonds	11,012	99	(99)
Financial Assets - Non Interest bearing			
Loans and receivables	64,561	(646)	646
Total Financial Assets	**114,665**	**(937)**	**937**
Financial Liabilities - Non Interest bearing			
Amounts Due to Related Parties	40,363	(404)	404
Total Financial Liabilities	**40,363**	**(404)**	**404**
Net Financial Assets	**74,302**	**(534)**	**534**

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

3. 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 Run-off)
Commercial Motor Vehicle	Public and Products Liability
Householders	Professional Indemnity
Commercial Property	
Consumer Credit Insurance	
Motor Warranty	

(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 Incurred Chain Ladder and Incurred Bornhuetter-Ferguson methods are used to calculate the outstanding claims central estimates for most classes. Claims inflation is implicitly allowed for in the methods. 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 Incurred Chain Ladder method is used for most classes. Claims arising from the leaky buildings peril are valued using an Average Cost Per Claim approach.

Claims inflation is implicitly allowed for in the Incurred Chain Ladder method. Projected payments are discounted to allow for the time value of money.

The gross workers compensation run off liabilities will be transferred to the Accident Compensation Corporation in New Zealand, effective 1 Jan 2013. For the purposes of the accounts they have been valued at an agreed transfer amount.

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.

	2012 Short Tail	2012 Long Tail	2011 Short Tail	2011 Long Tail
Average Weighted Term to Settlement	0.37	1.32	0.56	3.43
Claims Handling Expenses	5.50%	5.50%	5.50%	5.50%
Discount Rate	2.74%	2.88%	2.52%	3.55%
Inflation Rate	2.50%	3.50%	N/A	N/A
Superimposed Inflation Rate	N/A	N/A	N/A	N/A
Risk Margin	10.8%	8.0%	9.5%	15.5%

*N/A – not applicable
[1]Claims Handling Expense for WC Runoff is set at 15.2% for 2012 (2011:20%). For 2012 the Claims Handling Expense was not explicitly set but was included in the agreed transfer amount with the Accident Compensation Corporation in New Zealand.

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

3. 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 the outstanding claims liability 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)	
Short Tail		Gross	Net	Gross	Net
Average Weighted Term to Settlement	+0.5 year	2,842	423	1,990	296
	-0.5 year	-2,881	-429	-2,017	-300
Claims Handling Expenses	1%	-299	-299	-209	-209
	-1%	299	299	209	209
Discount Rate	+1% p.a.	1,144	113	801	79
	-1% p.a.	-1,171	-115	-819	-81
Inflation Rate	+1% p.a.	-1,191	-117	-834	-82
	-1% p.a.	1,187	117	831	82
Long Tail					
Average Weighted Term to Settlement	+0.5 year	811	163	567	114
	-0.5 year	-822	-165	-575	-115
Claims Handling Expenses	1%	-109	-109	-76	-76
	-1%	109	109	76	76
Discount Rate	+1% p.a.	635	145	444	101
	-1% p.a.	-660	-151	-462	-106
Inflation Rate	+1% p.a.	-672	-154	-471	-108
	-1% p.a.	659	150	461	105
Superimposed Inflation	+1% p.a.	-672	-154	-471	-108
	-1% p.a.	659	150	461	105

Although no explicit inflation assumption was used in the estimation of future outstanding claims, an estimate of future cash flows by period was projected. For the inflation +1% p.a. sensitivity test, the value of each future cash flow was increased by 1% p.a. and the impact on the reserves was calculated.

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

4. 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 (the Group) to comply with Australian Prudential Standards GPS 220, "Risk Management for General Insurers" and GPS 221, "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 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 with high credit worthiness 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.

The company is also exposed to non-catastrophe risks of a large number and/or size of claims exceeding reinsurance limits, whether because of underwriting error or underestimation of the probable maximum loss and the emergence of latent risks. The risk that inadequate or inappropriate underwriting, claims management, product design and pricing (also known as 'Insurance Risk') will expose an insurer to financial loss and the consequent inability to meet its liabilities. Underwriting authorities limit the cover that underwriters can write to mitigate against this exposure.

d) Operational Risk

The principal operational risk the Company faces under insurance contracts is that the actual claims and benefits payments or the timing thereof, differ from expectations. This is influenced by the frequency of the claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

e) 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.

f) 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.

5. CAPITAL MANAGEMENT STRATEGY

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

Allianz New Zealand's General insurance business will be transferred to Allianz Australia Insurance Limited effective 1 January 2013 following which Allianz Australia Insurance Limited will operate as a branch in New Zealand and will be subject to Australian Prudential Regulation Authority (APRA) and Reserve Bank of New Zealand (RBNZ) capital requirements.

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.

6. NET EARNED PREMIUMS

	2012 $'000	2011 $'000
Gross written premium	140,639	141,573
Movement in unearned premium	(7,575)	(8,355)
Premium revenue	133,064	133,218
Outwards reinsurance premium	(69,431)	(64,797)
Net Earned Premiums	**63,633**	**68,421**

7. OPERATING INCOME

	Note	2012 $'000	2011 $'000
Gross written premium		140,639	141,573
Investment income	8	12,537	10,638
Income from associate		142	141
		153,318	152,352

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

8. INVESTMENT INCOME

	2012 $'000	2011 $'000
Interest on Government stock	719	644
Interest Income - Loans and Receivables	9,366	8,096
Other interest	2,566	1,743
Unrealised Gain/(Loss) on revaluation of investments	(403)	(25)
Realised Gain/(Loss) on investments held	28	(177)
Other income	261	357
	12,537	10,638

9. GENERAL AND ADMINISTRATION EXPENSES

	2012 $'000	2011 $'000
Employee benefits	5,041	4,873
Audit Fees	90	90
Depreciation	154	157
Other Expenses/(Income)	836	1,134
	6,121	6,254

10. FINANCE COSTS

	2012 $'000	2011 $'000
Hunter Premium Finance - Loan Interest	2,207	1,645

11. AUDITOR'S REMUNERATION

	2012	2011
Audit of financial statements	83,000	83,000
Other audit related services	12,000	7,000
	95,000	90,000

Other audit related services include fees for work on the RBNZ Solvency Statement.

12. NET CLAIMS INCURRED

	2012			2011		
	Current Year $'000	Prior Year $'000	Total $'000	Current Year $'000	Prior Year $'000	Total $'000
Gross claims incurred	(73,459)	41,071	(32,388)	(536,835)	5,895	(530,940)
Reinsurance recoveries	24,094	(26,679)	(2,585)	473,462	(3,826)	469,636
Discount movement	226	(2,165)	(1,939)	375	(2,337)	(1,962)
Net Claims Incurred	**(49,139)**	**12,227**	**(36,912)**	**(62,998)**	**(268)**	**(63,266)**

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. 2011 prior year claims incurred are significantly higher than 2012 due to the Christchurch earthquakes.

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

13. INCOME TAX (EXPENSE)/BENEFIT

	2012 $'000	2011 $'000
(i) Recognised in the Statement of Comprehensive Income		
Current Tax Benefit/(Expense)		
Current Year	-	-
Movement in deferred tax balance recognised in the Statement of Comprehensive Income	(526)	4,802
Total recognised income tax (expense)/benefit in the Statement of Comprehensive Income	**(526)**	**4,802**
(ii) Reconciliation of effective tax rate		
Profit/(Loss) before tax	814	(17,158)
Income tax at 28%	(228)	4,804
Non-deductible expenses	(48)	(45)
Effect of 2011 tax rate reduction to 28% on deferred tax balances	-	-
Prior year unrecognised tax losses utilised	-	-
Prior period adjustment	(250)	43
Total income tax (expense)/benefit in the Statement of Comprehensive Income	**(526)**	**4,802**
(iii) Deferred Tax Liability/(asset)		
Employee provisions	314	302
Deferred acquisition costs	(4,781)	(7,541)
Provision for doubtful debts	525	476
Lease incentive liability	58	80
Accounting carrying value of fixed assets	(425)	(581)
Provision for Audit fees	90	90
Tax base of fixed assets	857	1,013
	(3,362)	(6,161)
Tax effect	**(941)**	**(1,725)**
Less: Deferred tax on carried forward losses	5,835	7,242
Deferred Tax Asset/(Liability)	**4,893**	**5,517**

The prior year tax losses of the Company are predominantly due to catastrophic events and the Company is anticipated to continue to make profits in the foreseeable future. Given this, the Company has recognised deferred tax asset attaching to carried forward losses.

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

14. CASH AND CASH EQUIVALENTS

	2012 $'000	2011 $'000
Cash and Cash Equivalents	89,079	39,045

The Company has a Letter of Credit Facility available of US$1,091,295 in relation to Allianz Global Corporate & Specialty contracts placed in the USA. As at 31 December 2012, there are no outstanding amounts in respect of the facility.

15. REINSURANCE AND OTHER RECOVERIES RECEIVABLES

	2012 $'000	2011 $'000
Current		
Recoveries (undiscounted)	174,975	397,114
Discount to present value	(3,333)	(3,906)
Current reinsurance and other recoveries receivables	**171,642**	**393,208**
Non-current		
Recoveries (undiscounted)	57,804	71,636
Discount to present value	(1,101)	(4,210)
Non-current reinsurance and other recoveries receivables	**56,703**	**67,426**
Total reinsurance and other recoveries receivables	**228,345**	**460,634**

16. LOANS AND RECEIVABLES

	2012 $'000	2011 $'000
Loans and receivables	75,498	66,767
Less: Unearned income	(2,025)	(1,768)
	73,473	64,999
Less: Impairment loss	(487)	(438)
Total Loans and Receivables	**72,986**	**64,561**

Impairment loss movement during the year has been included in General and Administration expenses in the Statement of Comprehensive Income.

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Notes to the Financial Statements (continued)
For the year ended 31 December 2012

17. ACCOUNTING CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES
The analysis of financial assets and liabilities into their categories and classes are set out in the following table:

2012 **Financial Assets**	Total $000	Loans and Receivables $000	Fair Value through Profit and Loss $000
Cash and Cash Equivalents	89,079	89,079	-
Premium Debtors	39,795	39,795	-
Reinsurance and other Recoveries Receivables	228,345	228,345	-
Amounts due from Related Parties	4,585	4,585	-
Investment in fixed interest securities	47	-	47
Investment in Government bonds	10,613	-	10,613
Other receivables	29,285	29,285	-
Loans and receivables	72,986	72,986	-
	474,735	**464,075**	**10,660**

Financial Liabilities	Total $000	Fair Value through Profit and Loss $000	Financial liabilities at amortised cost $000
Reinsurance Payable	23,576	-	23,576
Amounts Due to Related Parties	94,812	-	94,812
Outstanding Claims Liability	271,408	271,408	-
Other Liabilities	5,213	-	5,213
	395,009	**271,408**	**123,601**

2011 **Financial Assets**	Total $000	Loans and Receivables $000	Fair Value through Profit and Loss $000
Cash and Cash Equivalents	39,045	39,045	-
Premium Debtors	29,608	29,608	-
Reinsurance and other Recoveries Receivables	460,634	460,634	-
Amounts due from Related Parties	2,762	2,762	-
Investment in fixed interest securities	47	-	47
Investment in Government bonds	11,012	-	11,012
Other receivables	29,252	29,252	-
Loans and receivables	64,561	64,561	-
	636,921	**625,862**	**11,059**

Financial Liabilities	Total $000	Fair Value through Profit and Loss $000	Financial liabilities at amortised cost $000
Reinsurance Payable	11,383	-	11,383
Amounts Due to Related Parties	40,363	-	40,363
Outstanding Claims Liability	514,247	514,247	-
Other Liabilities	2,605	-	2,605
	568,598	**514,247**	**54,351**

Included within Government Bonds is $500,000 held with Public Trust as an insurance security deposit.

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

17. ACCOUNTING CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (continued)

(i) Determination of fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2012	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets designated as fair value through profit and loss:				
Fixed interest securities	-	47	-	47
Government bonds	-	10,613	-	10,613
Total financial assets	-	10,660	-	10,660

2011	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets designated as fair value through profit and loss:				
Fixed interest securities	-	47	-	47
Government bonds	-	11,012	-	11,012
Total financial assets	-	11,059	-	11,059

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Within the Level 2 category are financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions; assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers are valued using the vendors' proprietary models whereby the assumptions are market observable.

Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

No investments have been categorised as level 3 as at the 31 December 2012 (2011: None)

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

18. DEFERRED ACQUISITION COSTS

	2012	2011
	$'000	$'000
Balance at 1 January	7,541	5,468
Acquisition costs deferred	27,357	26,166
Amortisation charged to income	(26,107)	(24,436)
Write down for premium deficiency	(4,010)	343
Balance at period end	**4,781**	**7,541**
Calculation of deficiency		
Unearned premium liability	70,642	60,667
Related reinsurance asset	(22,660)	(21,882)
Related deferred acquisition costs	(14,208)	(12,950)
	33,774	**25,835**
Net central estimate of present value of expected future cashflows arising from future claims	34,844	25,934
Risk margin	8,349	5,310
	43,193	**31,244**
Total deficiency recognised in the Income Statement	**(9,419)**	**(5,409)**

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% (2011: 75%).

19. OTHER RECEIVABLES

	2012	2011
	$'000	$'000
Sundry Debtors	13,195	7,327
Prepayments	-	43
Reinsurance Debtors	16,090	21,882
Total Other Receivables	**29,285**	**29,252**

20. DEFERRED REINSURANCE

	2012	2011
	$'000	$'000
Balance at 1 January	14,507	19,062
Outwards Reinsurance Premium	69,431	64,797
Reinsurance Premium Expensed	(67,030)	(69,352)
Balance at 31 December	**16,908**	**14,507**

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

21. PROPERTY, PLANT AND EQUIPMENT

	2012			2011		
	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	24	(19)	5	24	(16)	8
Leasehold Improvements	1,148	(773)	375	1,141	(630)	511
Computer Equipment	94	(50)	44	94	(32)	62
Total Fixed Assets	**1,266**	**(842)**	**424**	**1,259**	**(678)**	**581**

Reconcilations

Reconcilations of the carrying amounts for each class of plant and equipment are set out below:

	Office Equipment, Furniture and Fittings $'000	Leasehold Improvements $'000	Computer Equipment $'000
Carrying amount at the beginning of the year	8	511	62
Additions	-	7	-
Depreciation	(3)	(143)	(18)
Carrying amount at the end of the year	5	375	44

22. OTHER LIABILITIES

	2012 $'000	2011 $'000
Current Liabilities		
Sundry Creditors and Accruals	4,842	2,223
Employee Entitlements	314	302
Lease Incentive	22	22
Total Other Current Liabilities	**5,178**	**2,547**
Non Current Liabilities		
Lease Incentive	35	58
Total Other Non Current Liabilities	**35**	**58**

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

23. OUTSTANDING CLAIMS LIABILITY

	2012	2011
	$'000	$'000
Central Estimate	269,572	515,513
Risk Margin	4,518	6,206
Claims handling costs	2,541	3,369
	276,631	525,088
Discount to present value	(5,223)	(10,841)
Gross Outstanding Claims Liability	**271,408**	**514,247**
Current	207,459	414,495
Non-Current	63,949	99,752
Liability for outstanding claims	**271,408**	**514,247**

a) Christchurch Earthquakes

The central estimate for the outstanding claims liability includes $168 million relating to the Christchurch earthquakes which occurred in 2010 and 2011 (2011: $397 million). The estimate is based on information on individual reported claims plus an allowance for future claims. An allowance for made for claims incurred but not reported based on calculations made by the actuaries.

b) 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 net outstanding claims liability in 2012 is 10.8% (31 December 2011: 10.8%). 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.

The probability of adequacy intended to be achieved through the adoption of the risk margin is 75% (2011: 75%).

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Notes to the Financial Statements (continued)

For the year ended 31 December 2012

23 OUTSTANDING CLAIMS LIABILITIES (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 eight most recent underwriting years

(i) Gross

Accident year	2003 and prior	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of cumulative claims:											
At the end of accident year	76,463	1,964	3,185	2,083	2,643	2,174	3,307	3,515	4,118	4,718	
One year later	79,022	989	1,147	1,469	1,564	2,019	1,639	2,917	1,192		
Two years later	78,936	702	2,060	813	1,148	36,573	1,649	1,037			
Three years later	81,880	387	1,956	689	1,993	36,013	1,132				
Four years later	85,051	379	1,844	704	1,917	40,285					
Five years later	82,213	342	1,579	883	1,819						
Six years later	81,534	1,283	1,490	758							
Seven years later	99,643	829	1,101								
Eight years later	97,120	419									
Nine years later	96,317										
Estimate of cumulative claims	96,317	419	1,101	758	1,819	40,285	1,132	1,037	1,192	4,718	148,778
Cumulative payments	82,577	338	1,006	668	1,562	1,471	798	867	482	514	90,285
Claims outstanding - undiscounted	**13,740**	**81**	**94**	**90**	**257**	**38,815**	**334**	**170**	**710**	**4,204**	**58,494**
Discount	422	2	2	2	7	1,017	9	4	19	426	1,910
Claims outstanding - discounted	**13,318**	**79**	**92**	**87**	**250**	**37,798**	**326**	**165**	**691**	**3,778**	**56,583**
Short tail classes											207,887
Risk Margins - discounted											4,436
Claims handling expenses											2,501
Total gross outstanding claims											**271,408**

Allianz

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

23 OUTSTANDING CLAIMS LIABILITIES (continued)

c) Claims Development Table (continued)

(ii) Net

Accident year	2003 and prior	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
	$'000	$'000	$'000	$'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	1,618	1,935	2,133	
One year later	50,750	675	1,090	887	1,330	1,714	1,613	1,931	2,155		
Two years later	51,219	701	2,033	748	1,018	1,029	1,205	919			
Three years later	53,310	385	1,931	630	1,863	1,267	1,205				
Four years later	53,323	378	1,819	637	1,725	1,089					
Five years later	55,720	341	1,275	799	1,837						
Six years later	53,538	874	1,257	768							
Seven years later	60,277	612	1,208								
Eight years later	58,536	538									
Nine years later	58,221										
Estimate of cumulative claims	58,221	538	1,208	768	1,837	1,089	1,205	919	2,155	2,133	70,072
Cumulative payments	53,059	327	970	589	1,400	981	783	734	438	491	59,771
Claims outstanding - undiscounted	**5,161**	**211**	**238**	**179**	**437**	**108**	**422**	**186**	**1,716**	**1,642**	**10,300**
Discount	148	9	10	7	18	5	18	8	72	106	400
Claims outstanding - discounted	**5,014**	**203**	**228**	**171**	**418**	**104**	**404**	**178**	**1,644**	**1,536**	**9,900**
Short tail classes											26,963
Risk Margins - discounted											3,938
Claims handling expenses											2,263
Total net outstanding claims											**43,063**

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

23 OUTSTANDING CLAIMS LIABILITIES (continued)

c) Claims Development Table (continued)

(iii) Reconciliation of movement in discounted outstanding claims liabilities:

	2012			2011		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January	514,247	(460,633)	53,614	136,528	(79,164)	57,364
Current year claims incurred	75,521	(26,382)	49,139	536,232	(473,234)	62,998
Change in previous years' claims	(24,951)	12,724	(12,227)	698	(428)	270
Current year claims paid/RI recovered	(47,527)	24,692	(22,835)	(121,737)	80,027	(41,710)
Previous year claims paid/RI recovered	(245,879)	221,254	(24,625)	(37,474)	12,166	(25,308)
Balance as at period end	**271,411**	**(228,345)**	**43,066**	**514,247**	**(460,633)**	**53,614**

24. UNEARNED PREMIUM LIABILITES

	2012	2011
	$'000	$'000
Unearned Premium Liability at 1 January	60,667	55,795
Deferral of premiums on contracts written	140,639	141,573
Earning of premiums written in current and previous year	(130,664)	(136,701)
Unearned Premium Liability at period end	**70,642**	**60,667**

25. PAID IN SHARE CAPITAL

	2012	2011
	$'000	$'000
Balance at 1 January	38,500	20,500
Increase during the year	-	18,000
Balance as at period end	38,500	38,500

The company has 43,099,596 (2011: 43,099,596) ordinary fully paid shares. All shares have equal voting rights.

26. RELATED PARTIES

(i) The key management personnel of the Company consisted of the Directors of the Company.

(ii) The names of each person holding the position of Director of the Company during or since the end of the reporting period are David Hosking, Jonathan Poole, Terry Towell (resigned 1 January 2013), Garry Townsend and Bruce Watters.

(iii) The Company is a wholly owned controlled entity of Allianz Australia Limited. The Ultimate parent is Allianz SE, incorporated in Germany.

(iv) A number of Directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of the transactions with Directors and their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

26 RELATED PARTIES (continued)

(v) 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.
Allianz Australia Insurance Limited	100% owned subsidiary of Allianz Australia Ltd.
Allianz Australia Services Limited	100% owned subsidiary of Allianz Australia Ltd.
Club Marine Limited	100% owned subsidiary of Allianz Australia Ltd.
Allianz Australia Claim Services Limited	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
Primacy Underwriting Agency Pty Limited	70% owned subsidiary of Allianz Australia Ltd.
Agricola Underwriting Management Limited	70% owned subsidiary of Allianz Australia Ltd.
Global Transport & Automotive Insurance Solutions Pty Limited	76.4% owned subsidiary of Allianz Australia Ltd.
Allianz SE	Ultimate parent entity of Allianz Australia Limited

(vi) The following types of transactions have arisen between the Company and related entities:

(a) Loan advances
(b) Loan repayments
(c) Fees for funds management
(d) Expenses incurred on their behalf and recharged
(e) Expenses incurred on our behalf and recharged
(f) Assumption of insurance liabilities and receipt of matching assets
(g) Fees for claims management and
(h) Reinsurance arrangements

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.

(vii) Balances with related parties as at 31 December 2012

	2012 $'000	2011 $'000
Amounts due from Related Parties		
Commission due from Euler Hermes Trade Credit Ltd	65	27
Commission due from Agricola Underwriting management Ltd	4,520	2,735
Total Amounts due from Related Parties	**4,585**	**2,762**
Amounts due to Related Parties		
Reinsurance due to Allianz Australia Insurance Limited	-	8,894
Hunter Premium Finance Loan due to Allianz Australia Insurance Limited	37,983	30,051
Funding Loan from Allianz Australia Insurance Limited	35,000	-
Sundry Intercompany transactions with Allianz Australia Insurance Limited	13,777	(1,335)
Total Amounts due to Allianz Australia Insurance Limited	86,760	37,610
Management fees due to Club Marine Limited in respect of services provided	679	412
Sundry Creditors for shared services due to Allianz Australia Services Limited	7,373	2,341
Total Amounts due to Related Parties	**94,812**	**40,363**

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Notes to the Financial Statements (continued)

For the year ended 31 December 2012

26 RELATED PARTIES (continued)

(viii) Transactions with key management personnel:

	2012 $'000	2011 $'000
Total benefits paid, payable, or otherwise provided by the Entity in relation to the key management persennel.	450	553

This consists of:		
Short term employee benefits	416	520
Mid term employee benefits	34	33
	450	553

27 CONTINGENT LIABILIITIES

The Company has no contingent liabilities at 31 December 2012 (31 December 2011: Nil).

28 CAPITAL COMMITMENTS

The Company has no commitments for future capital expenditure at 31 December 2012 (31 December 2011: Nil).

29 OPERATING LEASE COMMITMENTS

	2012 $'000	2011 $'000
Obligations payable after balance date on non cancellable operating leases are as follows:		
Not later that one year	711	518
Later than one year and not later than 5 years	1,221	1,369
Later than 5 years	-	-
Total Lease Commitments	**1,932**	**1,887**

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.

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 (2011: 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.

With the implementation of the Insurance (Prudential Supervision) Act 2010 all general insurance entities carrying on insurance business in New Zealand are required to be licensed by the Reserve Bank of New Zealand. The company was granted a provisional license on 23 February 2012. As a result of being a licensed Insurer with effect from 1 January 2013 the company will be classified as an issuer under the Financial Reporting Act 1993 and will, in accounting periods subsequent to this, no longer be able to take advantage of the differential reporting exemptions available under the Framework for Differential Reporting for entities applying New Zealand equivalents to IFRS.

Notes to the Financial Statements (continued)

For the year ended 31 December 2012

31 SOLVENCY (continued)

From 31 December 2012 the Company was required to maintain a solvency margin of $0, i.e. from this date actual solvency capital as determined under the solvency standard should be at or above the minimum solvency capital level.

During the year ended 31 December 2012 the Company complied with all externally imposed capital requirements.

The Solvency Ratio was calculated as follows:

Required Solvency Capital	$ 29,937,382
Available Solvency Capital	$ 31,196,677
Solvency Margin	$ 1,259,295
Solvency Ratio	1.04

This reflected the position as at 31 December 2012 prior to the transfer of the General Insurance business on 1 January 2013, to Allianz Australia Insurance Limited and the transfer of the run-off workers compensation portfolio to the Accident Compensation Corporation (ACC), also on 1 January 2013.

32 REINSURANCE PROGRAMME

The Company's reinsurance programme includes substantial provision for catastrophic reinsurance, which provides reinsurance cover for earthquake and other catastrophic risks. 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 equity. The catastrophic retention is $2 million, whilst catastrophic cover is purchased to $4.1 billion.

33 EVENTS SUBSEQUENT TO BALANCE DATE

On 1 January 2013 the assets of $371,565,827 and the liabilities of $371,565,827 were transferred to Allianz Australia Insurance Ltd for a consideration of $450,000. These underwriting balances related to the insurance business Net Premium, Net Claims, Net Commission and policyholder funds invested in cash and cash equivalents. Allianz Australia is to underwrite risks in New Zealand via a branch. From 1 January 2013. Allianz Australia Insurance Ltd (AAIL) will now hold a licence to sell insurance in New Zealand and Allianz New Zealand Ltd will operate as a service company providing services to AAIL, which includes costs for NZ based employees and other direct operating costs.

There are no other events subsequent to the balance date that would have a material effect on the Company's financial report at 31 December 2012.