Resolution Life Australasia Limited (New Zealand Branch)

Financial report for the year ended December 2022

Resolution Life

RESOLUTION LIFE AUSTRALASIA LIMITED (NEW ZEALAND BRANCH)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022
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Registered office:
Level 20, 400 George Street
Sydney NSW 2000 Australia

Consolidated income statement
for the year ended 31 December

	Note	2022 NZ$000	2021 NZ$000
Income and expenses of the shareholder and policyholders[1]			
Life insurance contract related revenue	4.2	391,371	402,822
Life insurance claims recovered from reinsurers	4.2	69,359	67,545
Fee revenue	1.1	10,012	7,653
Interest income, dividends and distributions and net gains on financial assets and liabilities at fair value through profit or loss	1.1	(727,883)	11,882
Life insurance contract claims expense	4.2	(323,894)	(316,168)
Life insurance contract premiums ceded to reinsurers	4.2	(170,079)	(167,011)
Operating expenses	1.2	(74,662)	(80,787)
Finance costs		(1,306)	(445)
Change in policyholder liabilities			
- life insurance contracts	4.2	707,456	53,487
- investment contracts		36,848	(27,556)
Income tax credit	1.3	107,694	101,534
Profit for the year		24,916	52,956

(1) Income and expenses include amounts attributable to the shareholder's interests and policyholders' interests in the life statutory funds. Amounts included in respect of the life statutory finds have a substantial impact on most of the Consolidated income statement lines, especially investment gains and losses and taxes. In general, policyholders' interests in the transactions for the period are attributed to them in the line Change in policyholder liabilities.

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of financial position
as at 31 December

	Note	2022 NZ$000	2021 NZ$000
Assets			
Cash and cash equivalents	7.1	373,742	384,015
Receivables and prepayments	2.1	873,499	453,459
Current tax assets		31,941	20,939
Deferred tax assets	1.3	188,293	64,628
Financial assets at fair value through profit or loss	2.2	4,430,123	5,486,664
Derivative financial assets		139,887	119,862
Reinsurance asset - ceded life insurance contracts	4.2	63,413	66,426
Total assets of policyholders and the shareholder		6,100,898	6,595,993
Liabilities			
Payables	2.3	284,490	152,068
Financial liabilities through profit or loss	2.4	594,440	430,916
Deferred tax liabilities	1.3	159,799	154,397
Life insurance contract liabilities	4.2	3,888,729	4,598,274
Investment contract liabilities	2.4	251,517	308,305
Reinsurance liability - ceded life insurance contracts	4.2	186,229	197,781
Total liabilities of policyholders and the shareholder		5,365,204	5,841,741
Net assets of the shareholder		735,694	754,252
Equity			
Retained earnings		735,694	754,252
Total Equity of the shareholder		735,694	754,252

For and on behalf of the Board who authorise these consolidated financial statements for issue on 29 March 2023

David Clarke
Chairman

Trevor Matthews
Director

Consolidated statement of changes in equity
for the year ended 31 December

	Retained Earnings NZ$000	Total shareholder equity NZ$000
31 December 2022		
Balance at beginning of the year	754,252	754,252
Profit for the year	24,916	24,916
Total comprehensive income	24,916	24,916
Transfer of profit to Resolution Life Australasia Limited Shareholder Fund (Parent)	(43,474)	(43,474)
Balance at the end of the year	**735,694**	**735,694**

	Retained Earnings NZ$000	Total shareholder equity NZ$000
31 December 2021		
Balance at beginning of the year	742,981	742,981
Profit for the year	52,956	52,956
Total comprehensive income	52,956	52,956
Transfer of profit to Resolution Life Australasia Limited Shareholder Fund (Parent)	(41,685)	(41,685)
Balance at the end of the year	**754,252**	**754,252**

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December

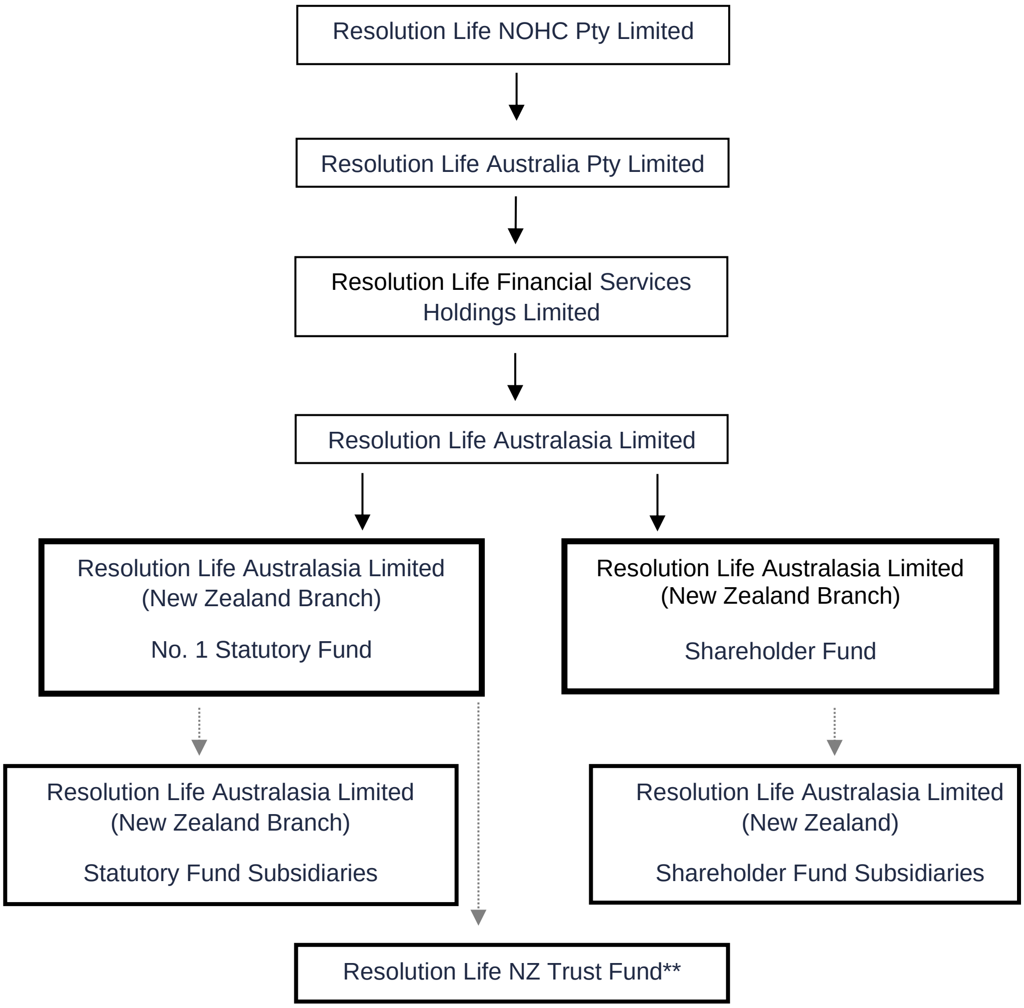
	Note	**2022** **NZ$000**	**2021** **NZ$000**
Cash flows from operating activities			
Cash receipts in the course of operations		403,654	551,051
Interest received		13,779	59,982
Dividends and distributions received		160,722	61,942
Cash payments in the course of operations		(537,043)	(696,884)
Finance costs		(1,306)	(445)
Income tax paid		(21,569)	(114,892)
Cash flows used in operating activities	7.1	**18,237**	**(139,246)**
Cash flows from investing activities			
Net proceeds from sales of investments in financial assets measured at fair value through profit or loss		14,964	110,869
Cash flows from (used in) investing activities		**14,964**	**110,869**
Cash flows from financing activities			
Transfer of funds to Resolution Life Australasia Limited Shareholder Fund (Parent)		(43,474)	(17,938)
Cash flows used in financing activities		**(43,474)**	**(17,938)**
Net decrease in cash and cash equivalents		**(10,273)**	**(46,315)**
Cash and cash equivalents at beginning of the year		384,015	430,330
Cash and cash equivalents at the end of the period	7.1	**373,742**	**384,015**

The accompanying notes form part of these consolidated financial statements.

About these financial statements

(a) About these financial statements

In September 2013 the Reserve Bank of New Zealand ("RBNZ") granted Resolution Life Australasia Limited ("the Company", "RLA") (formerly known as AMP Life Limited) a full licence to carry on insurance business under the Insurance (Prudential Supervision) Act 2010* ("IPSA"). The Company is incorporated in New South Wales and registered under Australia's Life Insurance Act 1995 ("Life Act"). The Company carries out its life insurance business in New Zealand through a Branch establishment (the "Branch") and is deemed to be a "FMC Reporting entity" as defined by the Financial Markets Conduct Act 2013. The Company is not a self-contained legal entity in New Zealand except to the extent that New Zealand incorporated subsidiaries carry out their business. A summarised group structure is as follows:



* As part of the grant of that licence, the Company was granted certain exemptions from IPSA by virtue of its status as an Australian regulated entity. This status requires the company to ensure that it meets all standards and regulations applicable in Australia and enforced by the Australian Prudential Regulation Authority.

** On 1 July 2020, Resolution Life NZ Trust Fund (the 'Trust') was established by a Deed between Resolution Life New Zealand Limited ('RLNZ' or 'Trustee') and RLA (as the Initial Unitholder' and as the 'Manager').

About these financial statements

(a) About these financial statements (continued)

The life insurance operations of the Resolution Life Australasia Limited New Zealand branch (hereafter referred to as "the Branch") are conducted within a statutory fund as required by the Life Act and are reported in aggregate in the consolidated income statement, consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows. Further information on the Statutory Fund and Shareholders' Fund is provided in Section 4.

For the purpose of these financial statements the consolidated entities comprise Resolution Life Australasia Limited (New Zealand Branch) No. 1 Statutory Fund (the "Statutory Fund"), Resolution Life Australasia Limited (New Zealand Branch) Shareholder Fund ("Shareholder Fund"), the Resolution Life NZ Trust Fund and the subsidiaries of each of the Statutory Fund and the Shareholder Fund. These consolidated financial statements have been prepared as if this were a group formed and registered in New Zealand. In line with this approach the Company's interest in the Branch and its consolidated entities has been disclosed as equity in these consolidated financial statements. The consolidated financial statements are prepared in this way to comply with the New Zealand Financial Reporting Act 2013.

The Company is the registered issuer of life insurance policies in New Zealand. The liability associated with life insurance policies issued in New Zealand is limited to the Resolution Life Australasia Limited No.1 Statutory Fund which forms part of Resolution Life Australasia Limited.

(b) Materiality

Information has only been included in the financial statements to the extent it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- It is important for understanding the results of the Branch;
- It helps explain the impact of significant changes in the Branch, for example acquisitions or disposals; and/or
- It relates to an aspect of the Branch's operations that is important to its future performance.

(c) Basis of preparation

These consolidated financial statements for the year ended 31 December 2022 were authorised by the Directors of the Company on [15 March 2023]. They have been prepared on a going concern basis and in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP") and the requirements of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000), unless otherwise stated.

The consolidated financial statements are also prepared in a manner consistent with the financial reporting requirements of:

- The Insurance (Prudential Supervision) Act 2010 ("IPSA")
- The Australian Life Insurance Act 1995 ("Life Act"), and
- Prudential Standards issued by Australian Prudential Regulation Authority (APRA) ("Prudential Standards").

The Branch is predominantly a life insurance business. Where permitted under accounting standards, the assets and liabilities associated with life insurance and investment contracts are generally measured on a fair value basis and other assets and liabilities are generally measured on a historical cost basis.

About these financial statements

(c) Basis of preparation (continued)

Assets and liabilities have been presented on the face of the Statement of Financial Position in decreasing order of liquidity and do not distinguish between current and non-current items. The majority of the assets of the Branch are investment assets held to back investment contract and life insurance contract liabilities. Although the amount of those assets which may be realised and those liabilities which may be settled within twelve months of the reporting date are not always known, estimates of amounts expected to be recovered or settled (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, have been provided in notes to the relevant section.

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'). The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS'). For the purposes of NZGAAP the Branch is classified as a for-profit entity.

(d) Basis of consolidation

The financial statements are for the consolidated entity, which consists of the Branch and all entities controlled by the Branch during the year and at balance sheet date.

These consolidated financial statements consolidate the financial information of controlled entities. Control arises from exposure, or rights, to variable returns from involvement with an entity where the Branch has the ability to affect those returns through its power over the entity.

The financial information for controlled entities is prepared for the same reporting period as the Branch, using consistent accounting policies. Where dissimilar accounting policies exist, adjustments are made to bring these into line.

The Branch conducts its life insurance business (see note 4) through the Statutory Fund. Income, expenses, assets and liabilities attributable to policyholder activities within the Statutory Fund are consolidated into the Branch consolidated financial statements, along with those attributable to the Shareholder Fund.

Consolidation principles require the total amounts of each underlying asset, liability, income and expense of the controlled entities to be recognised in the consolidated financial statements. When a controlled unit trust is consolidated, the share of the unitholder's liability attributable to the Branch is eliminated but amounts due to external unitholders remain as liabilities in the consolidated Statement of financial position.

Controlled entities that are acquired are accounted for using the acquisition method of accounting. Information from the financial statements of controlled entities is included from the date the Branch obtains control until such time as control ceases.

Where the Branch ceases to control an entity, the consolidated financial statements include the results for the part of the reporting period during which the Branch had control. The Branch derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

All inter-company balances and transactions within the consolidated group are eliminated in full, including unrealised profits arising from intra-group transactions.

(e) Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are contained in the notes to the financial statements to which they relate. All accounting policies have been consistently applied to the current year and comparative period, unless otherwise stated. Where an accounting policy relates to more than one note or where no note is provided, the accounting policies are set out below.

(f) Functional and presentation currency

Both the functional and presentation currency of the Branch is New Zealand dollars (NZ$).

About these financial statements

Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date with exchange gains and losses recognised in the consolidated Income statement.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(g) Critical judgements and estimates

Preparation of the financial statements requires management to make judgements, estimates and assumptions about future events. Information on critical judgements and estimates considered when applying the accounting policies can be found in the following section:

Accounting judgements and estimates	Section
Tax	Section 1.3 Taxes
Life insurance contract liabilities	Section 4.1 Accounting for life insurance and investment contracts
Investment contract liabilities	Section 4.1 Accounting for life insurance and investment contracts
Consolidation	Section 6.1 Controlled entities

Section 1: Results for the year

- 1.1 Fee revenue and investment income
- 1.2 Other operating expenses
- 1.3 Taxes

1.1 Fee revenue and investment income

	2022 NZ$000	2021 NZ$000
Fee revenue		
Investment management fees	2,689	2,054
Service fees		
- other entities	7,323	5,559
Total Fee revenue	**10,012**	**7,653**

Investment gains and (losses)		
Interest income	16,154	53,811
Net realised and unrealised (losses) gains	(976,638)	(194,634)
Dividends and distributions		
- associated entities	4,839	1,158
- related parties	93,387	18,791
- other entities	134,375	132,756
Total investment (losses) / gains	**(727,883)**	**11,882**
Investment in financial assets at fair value through profit or loss		
Debt securities (losses) gains	(107,648)	(134,209)
Investments in unlisted investment schemes	(167,588)	474,241
Derivative financial assets (losses) gain	(457,324)	(331,919)
Other investment gains		
Bank and other	4,677	3,769
Total investment (losses) / gains	**(727,883)**	**11,882**

Accounting policy – recognition and measurement

Fee revenue
Fees are charged to customers in connection with investment contracts and other financial services contracts. Fee revenue is recognised as services are provided either at inception of the contract or as they are performed over the life of the contract. For example, fees for ongoing investment management services and other services provided are charged on a regular basis, usually daily, and are recognised as the service is provided.

Investment management fees are charged to customers in connection with investment contracts and other financial services contracts. Revenue is recognised as services are provided. In some cases, services are provided at the inception of the contract while other services are performed over the life of the contract.

Interest, dividends and distributions income
Dividend and interest income are recognised in the consolidated Income Statement on an accruals basis when the Branch obtains control of the right to receive the revenue.

Net realised and unrealised gains and losses include realised gains and losses being the change in value between the previously reported value and the amount received on de-recognition of the asset or liability and unrealised gains and losses being changes in the fair value of financial assets recognised in the period.

Section 1: Results for the year

1.2 Operating expenses

	2022 NZ$000	2021 NZ$000
Operating expenses		
Commission expense[1]	24,525	28,188
Investment management expenses	7,320	12,436
Fees and commission expenses	**31,845**	**40,624**
Service fee expense - related parties[2]	36,314	39,471
Auditor's remuneration	107	175
Depreciation and amortisation	-	35
Other expense	6,396	482
Other operating expenses	**42,817**	**40,163**
Total operating expenses	**74,662**	**80,787**

1 Commission expense includes related parties expenses of NZ$ Nil (2021: NZ$ Nil)
2 The service fee is inclusive of employee and third-party costs incurred by Resolution Life Services NZ Limited to provide services to the Branch.

Accounting policy – recognition and measurement

All operating expenses, other than those allocated to life insurance contracts (see note 4.2), are expensed as incurred.

The majority of investment contracts issued result in payments to external service and advice providers. Where the amount paid equates to a fee charged to policyholders for the provision of advice, the amount is expensed either at inception or over the period of the contract consistent with the basis for recognising the fee revenue on the respective contracts (see note 1.1).

Section 1: Results for the year

1.3 Taxes

(a) Income tax expense

The following provides a reconciliation of differences between prima facie tax calculated at 28% (2021: 28%) of the profit before income tax for the year and the actual income tax expense recognised in the Consolidated Income Statement for the year. The income tax expense amount reflects the impact of both income tax attributable to the shareholders as well as income tax attributable to policyholders.

Income tax attributable to policyholders is based on investment income allocated to policyholders less expenses deductible against that investment income. The impact of the tax is charged against the policyholder liabilities. The rate applicable to New Zealand life insurance business during the period was 28% (2021: 28%).

	2022 NZ$000	2021 NZ$000
(Loss) for the period before income tax credit – per Income Statement	(82,704)	(48,578)
Policyholder tax credit recognised as part of the change in policyholder liabilities in determining profit before tax	103,502	80,097
Profit before income tax excluding tax charged to policyholders	**20,798**	**31,519**
Prima facie shareholder tax at the rate of 28% (2021:28%)	5,823	8,825
Tax effect of the differences between recognition of income statement items for accounting and those deductible / assessable in calculating taxable income:		
Shareholder impact of life insurance tax treatment	(39,192)	(4,646)
Non-taxable or deductible items	(488)	-
Investment revenue related items	33,083	(17,958)
Over provided in previous years after excluding amounts attributable to policyholders	(3,418)	(7,594)
Other	-	(64)
Total permanent differences	**(10,015)**	**(21,437)**
Income tax credit attributable to shareholders and non-controlling interest	(4,192)	(21,437)
Income tax attributable to policyholders	(103,502)	(80,097)
Income tax credit	**(107,694)**	**(101,534)**

(b) Analysis of income tax credit

	2022 NZ$000	2021 NZ$000
Current tax expense	14,410	19,579
Increase in deferred tax assets	(123,665)	(64,584)
(Decrease) / increase in deferred tax liabilities	5,401	(49,221)
Over-provisions in previous years including amounts attributable to policyholders		
-Current tax	(3,840)	(7,315)
-Other	-	7
Income tax credit	**(107,694)**	**(101,534)**

Section 1: Results for the year

1.3 Taxes (continued)

(c) Analysis of deferred tax balances

	2022 NZ$000	2021 NZ$000
Analysis of deferred tax liability		
Accruals and provisions	(3)	(3)
Office equipment and intangibles	17	17
Australian capital gains tax	15,880	3,066
Deferred acquisition cost within policy liabilities	138,514	153,995
Non-Life risk margins	1,848	1,910
Portfolio Investment Entity allocated income	3,543	(4,588)
Total net deferred tax liability	**159,799**	**154,397**

Analysis of deferred tax asset	2022 NZ$000	2021 NZ$000
Policyholder tax losses carried forward	**188,293**	**64,628**

(d) Unused tax losses and deductible temporary differences not recognised

The Branch has no unrecognised tax losses (2021: Nil).

(e) Imputation credit account

Under the imputation system, the Branch may allocate or impute the tax it pays on income attributable to the shareholder on the distributions it makes to the shareholder. Imputation credits are subject to continuity of ownership.

	2022 NZ$000	2021 NZ$000
Closing balance	52,448	48,024

Accounting policy – recognition and measurement

Income tax expense
Income tax expense is the tax payable on taxable income for the current period, based on the income tax rate and adjusted for changes in deferred tax assets and liabilities attributable to:

- temporary differences between the tax bases of assets and liabilities and their Statement of financial position carrying amounts,
- unused tax losses and
- the impact of changes in the amounts of deferred tax assets and liabilities arising from changes in tax rates or in the manner in which these balances are expected to be realised.

Adjustments to income tax expense / credit are also made for any differences between the amounts paid or expected to be paid in relation to prior periods and the amounts provided for these periods at the start of the current period.

Income tax expense is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity or other comprehensive income.

Section 1: Results for the year

1.3 Taxes (continued)

Tax consolidation
The following Group entities continue to be members of the Resolution Life Australasia Consolidated Tax Group: The Branch, to the extent of its life insurance business; and Resolution Life ERGO Mortgage and Savings Limited. Resolution Life Services New Zealand Limited is also a member of the Resolution Life Australasia consolidated tax group.

Income tax for investment contracts business and life insurance contracts business
The income tax expense/credit recognised in the consolidated Income statement arising in the Branch reflects tax imposed on the shareholder as well as policyholders.

Investment contract liabilities and life insurance contract liabilities are established gross of the policyholders' share of any current tax payable and deferred tax balances of the Branch.

The policy liabilities (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract) and solvency reserves are determined at the reporting date in accordance with the Life Act. Risk business policy liabilities for Life Act purposes are calculated on a before tax basis.

Deferred tax
Deferred tax assets and liabilities are recognised for temporary differences at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted at the reporting date.

In New Zealand, the tax regime recognises a deduction for acquisition expenses as they are incurred rather than over the life of the policy. This results in a difference in the tax and accounting recognition and creates a deferred tax liability.

The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. 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 accounting profit or taxable profit or loss.

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Branch is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax, including amounts in respect of investment contracts and life insurance contracts, is not discounted to present value.

Goods and services tax
All income, expenses and assets (excluding receivables) are recognised net of any GST paid, except where they relate to products and services that are input taxed for GST purposes or where the GST incurred is not recoverable from the Inland Revenue Department. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the particular expense.

Receivables and payables are recorded with the amount of GST included. The net amount of GST recoverable from or payable to the Inland Revenue Department is included as either receivable or payable in the Statement of financial position.

Section 1: Results for the year

1.3 Taxes (continued)

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the Inland Revenue Department are classified as Operating cash flows.

Critical accounting estimates and judgements:

The application of tax law to the specific circumstances and transactions of the Branch requires the exercise of judgement by management. The tax treatments adopted by management in preparing the financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

Judgement is also applied by management in determining the extent to which the recovery of carried forward tax losses is probable for the purpose of meeting the criteria for recognition as deferred tax assets.

Section 2: Capital structure and financial risk management

- 2.1 Receivables
- 2.2 Financial assets at fair value through profit or loss
- 2.3 Payables
- 2.4 Fair value information

2.1 Receivables

	2022 NZ$000	2021 NZ$000
Investment related receivables[1]	48,585	4,634
Investment sales and margins accounts receivable	597,369	328,276
Life insurance contract premiums receivable[1]	89,491	57,096
Reinsurance receivables	50,998	50,650
Other receivables		
- related entities	-	7,599
- other entities	87,299	5,257
Allowance for expected credit loss	(243)	(53)
Total receivables and prepayments	**873,499**	**453,459**
Current	873,499	453,459
Non-current	-	-

(1) Receivables backing insurance and investment liabilities are carried at fair value through profit or loss.

All receivables are expected to be recovered within 12 months from the reporting date.

Investment sales and margin accounts receivable include NZ$482.28m (2021: NZ$328.28m) of collateral posted with counterparties to meet standard derivative trading obligations.

Accounting policy – recognition and measurement

Receivables

Receivables that back investment contract and life insurance contract liabilities are designated as financial assets measured at fair value through profit or loss. Reinsurance and other recoveries are discounted to present value. Receivables that do not back investment contract and life insurance contract liabilities are measured at amortised cost, less any allowance for Expected Credit Loss (ECLs).

The Branch applies a simplified approach in calculating ECLs for receivables. Therefore, the Branch does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Branch has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Section 2: Capital structure and financial risk management

2.2 Financial assets at fair value through profit or loss

	2022 NZ$000	2021 NZ$000
Investments in financial assets measured at fair value through profit or loss		
Debt securities	1,726,184	2,332,625
Investment in unlisted equity securities and manged investment schemes	2,703,939	3,154,039
Total financial assets measured at fair value through profit and loss	**4,430,123**	**5,486,664**

The majority of the financial instruments measured at fair value through profit and loss are held in the Resolution Life NZ Trust Fund. The trust deed requires that a required value of assets, sufficient to cover the expected policy liabilities of New Zealand policyholders, is maintained in the trust.

Accounting policy – recognition and measurement

Financial assets measured at fair value through profit or loss

Financial assets designated on initial recognition as financial assets measured at fair value through profit or loss are initially recognised at fair value determined as the purchase cost of the asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in profit or loss. Any realised and unrealised gains or losses arising from subsequent measurement at fair value are recognised in the income statement in the period in which they arise.

Recognition and de-recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised at the date the Branch becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

2.3 Payables

	2022 NZ$000	2021 NZ$000
Investment purchases and margin accounts payables	60,894	30,621
Life insurance contracts in process of settlement	91,068	50,815
Other payables		
- related entities	40,544	29,460
- reinsurers	28,112	28,113
- other entities	63,872	13,059
Total payables	**284,490**	**152,068**

For the Branch, no payables are expected to be settled more than 12 months from reporting date (2021: Nil).

Accounting policy – recognition and measurement

Payables
Payables that back investment contract and life insurance contract liabilities are financial liabilities and are measured at fair value. Other payables are measured at amortised cost using the effective interest method. Given the short-term nature of most payables, they are not discounted and their carrying amount approximate fair value.

Section 2: Capital structure and financial risk management

2.4 Fair value information

The following table shows the carrying amount and estimated fair values of financial instruments, including their levels in the fair value hierarchy. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2022	Level 1 NZ$000	Level 2 NZ$000	Level 3 NZ$000	Total fair value NZ$000
Assets measured at fair value				
Investment related receivables	-	48,585	-	48,585
Life insurance contract premiums receivable	-	89,491	-	89,491
Debt securities	-	1,726,184	-	1,726,184
Investment in unlisted equity securities and manged investment schemes	-	2,703,939	-	2,703,939
Derivative financial assets	14,686	125,201	-	139,887
Total financial assets measured at fair value	**14,686**	**4,693,400**	**-**	**4,708,086**
Financial liabilities measured at fair value				
Derivative financial liabilities	-	594,440	-	594,440
Investment contract liabilities	-	7,469	244,048	251,517
Total financial liabilities measured at fair value	**-**	**601,909**	**244,048**	**845,957**

2021	Level 1 NZ$000	Level 2 NZ$000	Level 3 NZ$000	Total fair value NZ$000
Assets measured at fair value				
Investment related receivables	-	4,634	-	4,634
Life insurance contract premiums receivable	-	57,096	-	57,096
Debt securities	-	2,332,625	-	2,332,625
Investment in unlisted equity securities and manged investment schemes	-	3,154,039	-	3,154,039
Derivative financial assets	-	119,862	-	119,862
Total financial assets measured at fair value	**-**	**5,668,256**	**-**	**5,668,256**
Financial liabilities measured at fair value				
Derivative financial liabilities	-	430,916	-	430,916
Investment contract liabilities	-	9,514	298,791	308,305
Total financial liabilities measured at fair value	**-**	**440,430**	**298,791**	**739,221**

Section 2: Capital structure and financial risk management

2.4 Fair value information (continued)

Resolution Life Australasia 's methodology and assumptions used to estimate the fair value of financial instruments are described below:

Debt securities	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. The fair value of loans is determined by discounting the estimated recoverable amount using prevailing interest rates.
Unlisted managed investment schemes	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
Derivative financial assets and liabilities	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and Groups own non-performance risk. Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and the Branch's own non-performance risk.
Investment contract liabilities	See note 4.1.

The financial assets and liabilities measured at fair value are categorised using the fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

- Level 1: the fair value is valued by reference to quoted prices and active markets for identical assets
- Level 2: the fair value is estimated using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

There have been no significant transfers between Level 1 and Level 2 during the 2022 and 2021 financial years.

The Branch recognises loans against policies with a carrying value of NZ$35.54m (2021: NZ$48.33m) at fair value. These loans attract interest at a rate of 4.50% p.a. (2021: 4.50 % p.a.) because the loans are 100 % secured against policies no impairment is expected to occur and the fair value of the loans approximates the carrying value. The loans are categorised as Level 2.

Level 3 fair values

For financial assets categorised within level 3 of the fair value hierarchy, the valuation processes applied in valuing such assets is governed by the Resolution Life Australasia asset valuation policy. The Resolution Life Australasia asset valuation policy was approved by the RLNOHC board in May 2020. This policy outlines the asset valuation methodologies and processes applied to measure non-exchange traded assets which have no regular market price, including investment property, infrastructure, private equity, alternative assets, and illiquid debt securities. All significant level 3 assets are referred to the appropriate valuation committee who meet at least every six months, or more frequently if required.

Section 2: Capital structure and financial risk management

2.4 Fair value information (continued)

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Investment contract liabilities	Valuation model based on published unit prices and the fair value of backing assets Fixed retirement income policies - discounted cash flow	Fair value of financial instruments Cash flow forecasts Credit risk

Reconciliation of level 3 values

The following table shows movements in the fair values of financial instruments categorised as level 3 in the fair value hierarchy:

2022	Balance at the beginning of the year NZ$000	Total gains/ (losses)[1] NZ$000	Purchases deposits NZ$000	Sales/ withdrawals NZ$000	Balance at the end of the period NZ$000	Total gains and losses on assets and liabilities held at reporting date NZ$000
Liabilities						
Investment contract liabilities	298,791	(32,821)	5,253	(27,175)	244,048	(31,921)

2021	Balance at the beginning of the year NZ$000	Total gains/ (losses)[1] NZ$000	Purchases deposits NZ$000	Sales/ withdrawals NZ$000	Balance at the end of the period NZ$000	Total gains and losses on assets and liabilities held at reporting date NZ$000
Liabilities						
Investment contract liabilities	293,334	25,353	6,319	(26,215)	298,791	24,573

1 Gains and losses are classified in investment gains and losses or change in policyholder liabilities in the consolidated Income statement.

Resolution Life

Section 3: Capital structure and financial risk management

- 3.1 Financial risk management
- 3.2 Derivatives
- 3.3 Capital management

3.1 Financial risk management

The Resolution Life Australasia Board has overall responsibility for the risk management framework including the approval of Resolution Life Australasia's strategic plan, risk management strategy and risk appetite. Specifically, financial risk arises from the holding of financial instruments and financial risk management (FRM) is an integral part of the Branch's enterprise risk management framework.

This note discloses financial risk in accordance with the categories in NZ IFRS 7 *Financial Instruments: Disclosures*:

- Market risk
- Liquidity risk and refinancing risk
- Credit concentration risk

The Asset Liability and Investment Committee ('ALICO') assists the CEO in exercising their delegated authority from the Board to manage financial risks. These risks are managed in accordance with the board approved risk appetite statement and ICAAP. The ultimate objective of the ICAAP is to ensure that residual risk exposures are commensurate with aggregate capital.

(a) Market risk

Market risk is the risk that the fair value of assets and liabilities, or future cash flows of a financial instrument will fluctuate due to movements in the financial markets including interest rates, foreign exchange rates, equity prices, property prices, credit spreads, commodity prices, market volatilities and other financial market variables.

Market risk	Exposures	Management of exposures and use of derivatives
Interest rate risk		
The risk of an impact on the Branch's profit after tax and equity arising from fluctuations of the fair value or future cash flows of financial instruments due to changes in market interest rates.	Interest bearing investment assets of the shareholder and statutory funds.	The Branch manages interest rate and other market risks pursuant to Resolution Life Australasia Asset Valuation Policy and are also subject to the relevant regulatory requirements governed by the Life Act.
Currency risk		
The risk of an impact on the Branch's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.	Foreign currency denominated assets and liabilities. Foreign exchange rate movements on specific cash flow transactions	The Branch uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings. The Branch hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known excluding the international equities portfolio attributable to shareholders within the Resolution Life Australasia Statutory Fund No.1.
Equity price risk		
The risk of an impact on the Branch's profit after tax and equity arising from fluctuations of the fair value or future cash flows of a financial instrument due to changes in equity prices.	Exposure for shareholder includes listed and unlisted shares and participation in equity unit trusts.	Resolution Life Australasia Treasury may, with ALICO's approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.

Section 3: Capital structure and financial risk management

3.1 Financial risk management (continued)

(a) Market risk (continued)

The above table provides information on significant market risk exposures for the Branch, which could lead to an impact on Resolution Life Australasia's and its subsidiaries' (including the Trust's) profit after tax and equity, and the management of those exposures.

Sensitivity analysis

The table below includes sensitivity analysis showing how the profit after tax and equity would have been impacted by changes in market risk variables. The analysis:

- Shows the direct impact of a reasonably possible change in market rate and is not intended to illustrate a remote, worst case stress test scenario.
- Assumes that all underlying exposures and related hedges are included and the change in variable occurs at the reporting date; and
- Does not include the impact of any mitigating management actions over the period to the subsequent reporting date.

		2022		2021	
		Impact on profit after tax	Impact on equity	Impact on profit after tax	Impact on equity
Sensitivity analysis	Change in variables	Increase (decrease) NZ$000	Increase (decrease) NZ$000	Increase (decrease) NZ$000	Increase (decrease) NZ$000
Interest rate risk					
Impact of a change in n New Zealand and international interest rates.	+100 bp	(13,410)	(13,410)	(10,087)	(10,087)
	- 100 bp	12,521	12,521	9,092	9,092
Currency risk					
Impact of a movement of exchange rates against the New Zealand dollar on currency sensitive monetary assets and liabilities.	10% depreciation of NZD	8,285	8,285	7,621	7,621
	10% appreciation of NZD	(8,252)	(8,252)	(7,628)	(7,628)
Equity price risk	10% increase in:				
Impact of a movement in New Zealand and international equities. Any potential impact on fees from the Branch's investment linked business is not included.	- New Zealand equities	3,056	3,056	2,501	2,501
	- International equities	8,912	8,912	8,479	8,479
	10% decrease in:				
	- New Zealand equities	(3,022)	(3,022)	(2,505)	(2,505)
	- International equities	(8,879)	(8,879)	(8,486)	(8,486)

The categories of risk faced and methods used for deriving sensitivity information did not change from previous periods.

Section 3: Capital structure and financial risk management

3.1 Financial risk management (continued)

(b) Liquidity and refinancing risk

Liquidity risk

The risk that the Branch is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required.

Maturity analysis

Below is a summary of the maturity profiles of the Branch's undiscounted financial liabilities and off-balance sheet items at the reporting date, based on its contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

2022	Up to 1 Year or no term NZ$000	1 to 5 Years NZ$000	More than 5 Years NZ$000	No specific maturity NZ$000	Total NZ$000
Payables	284,490	-	-	-	284,490
Derivative financial liabilities	1,844	2,551	590,045		594,440
Investment contract liabilities	19,222	61,545	103,915	66,835	251,517
Total undiscounted financial liabilities	**305,556**	**64,096**	**693,960**	**66,835**	**1,130,447**

2021	Up to 1 Year or no term NZ$000	1 to 5 Years NZ$000	More than 5 Years NZ$000	No specific maturity NZ$000	Total NZ$000
Payables	152,068	-	-	-	152,068
Derivative financial liabilities	33,231	13,630	384,055	-	430,916
Investment contract liabilities	23,000	73,641	124,338	87,326	308,305
Total undiscounted financial liabilities	**208,299**	**87,271**	**508,393**	**87,326**	**891,289**

(c) Credit risk

Risk	Exposures	Management of exposures and use of derivatives
Credit default risk is the risk of financial loss due to a counterparty failing to meet their contractual commitments in full and on time..	Wholesale credit risk on the invested fixed income portfolios in the Resolution Life Australasia statutory fund, reinsurance and other recoveries	The Chief Investment Officer manages credit risk exposure for Resolution Life Australasia and ALICO providing additional oversight to ensure credit risks are managed within risk appetite.

Section 3: Capital structure and financial risk management

3.1 Financial risk management (continued)

Past due but not impaired receivables

Ageing of past due but not impaired receivables is used by the Resolution Life Australasia to measure and manage emerging credit risks. The following table provides an ageing analysis of receivables that are past due as at reporting date but not impaired.

2022	Less than 30 days NZ$000	31 to 60 days NZ$000	61 -90 days NZ$000	More than 91 days NZ$000	Total[1] NZ$000
Reinsurance and other recoveries	50,997	-	-	-	50,997

2021	Less than 30 days NZ$000	31 to 60 days NZ$000	61 -90 days NZ$000	More than 91 days NZ$000	Total NZ$000
Reinsurance and other recoveries	6,680	104	-	94	6,878

[1] For investment linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholder has no direct exposure to any credit risk in those assets. Therefore, the tables above do not include any financial assets that back investment linked business.

Collateral and master netting or similar agreements

The investment managers of the Branch obtain collateral and utilises netting agreements to mitigate credit risk exposures from certain counterparties.

Derivative financial assets and liabilities
Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

An ISDA agreement does not automatically meet the criteria for offsetting in the Consolidated Statement of Financial Position as the Branch does not have any currently legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events such as a default.

If these netting arrangements were applied to the derivative portfolio, the derivative assets of $139.8m would be reduced by $41.5 m to the net amount of $98.3m and derivative liabilities of 594.4m would be reduced by $379.8m to the net amount of $214.6m (2021: NZ$119.8m would be reduced by NZ$21.9m to the net amount of NZ$97.9 and derivative liabilities of NZ$430.9m would be reduced by NZ$21.9m to the net amount of NZ$408.9m).

Other collateral
The Branch has collateral arrangements in place with some counterparties. Collateral generally consists of loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties.

Section 3: Capital structure and financial risk management

3.2 Derivatives

Derivative financial assets and derivatives financial liabilities
The Branch is exposed to changes in interest and foreign exchange rates. To mitigate the risks arising from these exposures, the Branch uses derivative financial instruments such as cross-currency and interest-rate swaps, forward rate agreements, futures, options and foreign currency contracts. Derivative financial instruments are also used to gain exposure to various markets for asset and liability management purposes.

Derivatives are initially recognised at fair value exclusive of any transaction costs on the date on which a derivative contract is entered into and are subsequently measured at their fair value at the end of each reporting period. All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivatives held in the Branch are not designated as hedging instruments. As such, changes in the fair value of derivative financial instruments are recognised in the consolidated Income statement in the period in which they arise.

3.3 Capital management

Resolution Life Australasia and its subsidiaries hold capital to protect its customers, creditors, shareholders and policyholders against unexpected losses to a level that is consistent with Resolution Life Australasia group's risk appetite, as approved by the board. Resolution Life Australasia and its subsidiaries aim to optimise the mix of capital resources in order to minimise the cost of capital and maximise shareholder value.

The Branch is an operating entity within the Resolution Life Australasia group. Resolution Life Australasia Limited (the "Company") is an APRA regulated company.

The Prescribed Capital Amount (PCA) is the amount of shareholder capital required to be held by Resolution Life Australasia Limited to meet its capital requirements, as set by the capital adequacy requirements specified under the Life Act and APRA Life Insurance Prudential Standards. This applies to the Company as a whole, and each statutory fund of the Company.

The Company maintains a board approved target capital above its PCA. The capital target above the PCA has been set with a sufficiency level of a 97.5% confidence level over a 12-month time horizon. In addition, the participating business of the life insurance company is managed to target a very high level of confidence that the business is self-supporting and that there are sufficient assets to support its policyholder liabilities.

At all times during the current and prior financial year, Resolution Life Australasia Limited complied with the applicable regulatory capital requirements.

The purpose of the Resolution Life NZ Trust fund is to hold a pool of assets on behalf of the Company with a value referable to the Branch's policy liabilities in respect of NZ participating and non-participating policyholders as a group so as to give the RBNZ greater visibility of the assets. The Deed of the Trust provides for the ongoing maintenance of a 'Required Balance' of net assets, with measurement of the Required Balance quarterly and reconciliation against the net asset value of the Trust monthly.

The Company is permitted to make withdrawals from the Trust for a number of reasons, including to meet its regulatory obligations and policyholder commitments. The deed is available on the Company's website. At 31 December 2022, the Net asset value of the Trust was $4.515 billion (2021: $5.492 billion) which mainly comprised $3.765 billion (2021: $4.900 billion) of investments in financial assets and $751m (2021: $593m) of cash and net receivables.

Section 4: Accounting for life insurance contracts and investment contracts

4.1 Accounting for life insurance contracts and investment contracts

The two major contract classifications are investment contracts and life insurance contracts.

For the purposes of these financial statements, holders of investment contracts or life insurance contracts are collectively and individually referred to as policyholders.

Investment contracts
The investment contracts of NZ Branch relate to wealth management products such as savings, investment-linked and retirement income policies. The nature of this business is that NZ Branch receives amounts to be invested from policyholders and those funds are invested on behalf of the policyholders. Fees and other charges are passed to the shareholder and reported as revenue.

The liability to policyholders, other than for fixed retirement income policies, is linked to the performance and value of the assets that back those liabilities. The fair value of such liabilities is therefore the same as the fair value of those assets. For fixed retirement income policies, the liability is linked to the fair value of the fixed retirement income payments and associated management services element.

The fair value of the fixed retirement income payments is calculated as their net present value using a fair value discount rate. The fair value of the associated management services element is the net present value, using a fair value discount rate, of all expenses associated with the provision of services and any profit margins thereon.

Life insurance contracts
The Branch issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured. In addition, there are some policies known as discretionary participating contracts that are similar to investment contracts, but the timing of the vesting of the profit attributable to the policyholders is at the discretion of the Branch. Such contracts are defined as life insurance contracts and accounted for using the Margin on Services (MoS) liability valuation method.

Under MoS, the excess of the expected value of the premiums received over claims and expenses (the margin) is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder (the service). The planned release of this margin is included in the movement in life insurance contract liabilities recognised in the consolidated Income statement.

Life insurance contract liabilities are usually determined using a projection method, whereby estimates of policy cash flows (premiums, benefits, expenses and profit margins to be released in future periods) are projected using best-estimate assumptions about the future. The liability is calculated as the net present value of these projected cash flows. When the benefits under a life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future investment earnings rate of those assets. Where the benefits are not linked to the performance of the backing assets, a risk-free discount rate is used. The risk-free discount rate is based on the zero coupon government bond rates plus a liquidity margin, which reflect the nature, structure and terms of the contract liabilities.

An accumulation method may be used if it produces results that are not materially different from those produced by a projection method. A modified accumulation method is used for some discretionary participating business, where the life insurance liability is the accumulation of amounts invested by policyholders, less fees specified in the policy, plus, investment earnings and vested benefits, adjusted to allow for the fact that crediting rates are determined by reference to investment income over a period of greater than one year. The accumulation method may be adjusted to the extent that acquisition expenses are to be recovered from future margins between fees and expenses.

Section 4: Accounting for life insurance contracts and investment contracts

Allocation of operating profit and unvested policyholder benefits

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyholders by applying the MoS principles in accordance with the Life Insurance Act 1995 (Cth) (Life Act) and as additional set out in the board's documented Participating Business Management Framework.

Once profit is allocated to participating policyholders it can only be distributed to these policyholders.

Profit allocated to participating policyholders is recognised in the consolidated Income statement as an increase in policy liabilities. The policy liabilities include profit that has not yet been allocated to specific policyholders (i.e. unvested) and that which has been allocated to specific policyholders by way of bonus distributions (i.e. vested).

Bonus distributions to participating policyholders do not alter the amount of profit attributable to shareholders. They are merely changes in the nature of the liability from unvested to vested.

The principles of allocation of the profit arising from discretionary participating business are as follows:

(i) Investment income (net of tax and investment expenses) on retained earnings in respect of discretionary participating business is allocated between policyholders and shareholders in proportion to the balances of policyholders' and shareholders' retained earnings. This proportion is, mostly, 80% to policyholders and 20% to shareholders.

(ii) Other MoS profits arising from discretionary participating business are allocated 80% to policyholders and 20% to shareholders, with the following exceptions:
- the profit arising from New Zealand corporate superannuation business is apportioned such that shareholders are allocated 15% of the profit allocated to policyholders.
- the profits arising from discretionary participating investment account business where 100% of investment profit is allocated to policyholders and 100% of any other profit or loss is allocated to shareholders, with the over-riding provision being that at least 80% of any profit and not more than 80% of any loss be allocated to policyholders' retained profits of the relevant statutory fund

Allocation of expenses within the statutory funds

All operating expenses relating to the life insurance contract and investment contract activities are apportioned between acquisition, maintenance and investment management expenses. Expenses are allocated directly to a product line based on the fees incurred under the service agreements between Resolution Life Australasia Limited and the service companies in the Resolution Life NOHC (Australia) Pty Ltd group.

The fees within the service agreements are determined according to detailed expense analysis, with due regard to the activities to which that expense relates. Where expenses are not directly attributable, they are appropriately apportioned using business drivers and statistics such as policy counts, annual premiums and funds under management. The apportionment basis has been made in accordance with Actuarial Standards and on an equitable basis to the different classes of business in accordance with the Life Act.

The costs apportioned to life insurance contracts are included in the determination of the margin described in section 4.1.

Investment management expenses of the life statutory funds are classified as operating expenses.

Section 4: Accounting for life insurance contracts and investment contracts

4.1 Accounting for life insurance contracts and investment contracts (continued)

Reinsurance
Life insurance contract premium ceded to reinsurers is recognised as an expense and Life insurance contract claims recovered from reinsurers is recognised as income.

Upfront commission received on quota share reinsurance contracts is recognised as commission revenue and a corresponding

reinsurance liability is recognised representing the obligation to pay future premiums to the reinsurer. The establishment of the

reinsurance liability is reflected in Change in policyholder liabilities. The liability will be released in line with the release of the profit margin on the underlying insurance contracts.

The present value of Resolution Life Australasia's net contractual rights and obligations under reinsurance contracts is presented as a reinsurance asset or a reinsurance liability.

Changes in the reinsurance asset and the reinsurance liability during the period are recognised as Changes in policyholder liabilities. On-going commission from reinsurers is recognised as revenue at the time the commission is received or receivable.

Critical accounting judgments and estimates

Critical accounting judgments and estimates

Life insurance contract liabilities
The measurement of insurance contract liabilities is determined using the MoS methodology. The determination of the liability amounts involves judgement in selecting the valuation methods, profit carriers and valuation assumptions for each type of business. The determination of the assumptions can involve subjectivity and relatively small changes in assumptions may have a significant impact on the reported profit. The board of Resolution Life Australasia Limited is responsible for these judgements and assumptions, after taking advice from the Appointed Actuary.

Investment contract liabilities
Investment contract liabilities are measured at fair value. For the majority of contracts, the fair value is determined based on published unit prices and the fair value of backing assets and does not generally require the exercise of judgement. For fixed income products, fair value is determined using valuation models. Judgement is applied in selecting the valuation model and setting the valuation assumptions

Section 4: Accounting for life insurance contracts and investment contracts

4.2 Life insurance contracts – premiums, claims, expenses, and liabilities

		2022 NZ$000	2021 NZ$000
(a) Analysis of life insurance contract related revenue - net of reinsurance			
Life insurance contract premiums received and receivable[1)]		347,138	347,390
Life insurance contract premium ceded to reinsurers		(170,079)	(167,011)
Commission received from reinsurers		44,233	55,432
Life insurance contract related revenue - net of reinsurance		**221,292**	**235,811**
(b) Analysis of life insurance contract claims expenses - net of reinsurance			
Life insurance contract claims expense		323,894	316,168
Life insurance claims recovered from reinsurers		(69,359)	(67,545)
Life insurance contract claims expense - net of reinsurance		**254,535**	**248,623**
(c) Analysis of life insurance operating expenses			
Life insurance contract acquisition expenses			
- Commission		1,683	1,554
- Other expenses		237	955
Life insurance contract maintenance expenses			
- Commission		22,635	26,030
- Other expenses		34,788	35,865
Investment management expenses		5,312	8,689
Life insurance operating expenses		**64,655**	**73,093**
(d) Life insurance contract liabilities			
Life insurance contract liabilities determined using projection method			
Best estimate liability			
- value of future life insurance contract benefits		2,322,251	2,845,133
- value of future expenses		438,687	503,008
- value of future premiums		(1,410,588)	(1,653,842)
Value of future profits			
- life insurance contract holder bonuses		1,121,328	1,376,678
- shareholders profit margins		396,485	425,229
Total life insurance contract liabilities determined using the projection method		**2,868,163**	**3,496,206**
Life insurance contract liabilities determined using the accumulation method			
Best estimate liability			
- value of future life insurance contract benefits		248,190	256,966
- value of future premiums		(8,288)	(8,647)
Total life insurance contract liabilities determined using the accumulation method		**239,902**	**248,319**
Value of declared bonus		47,274	32,719
Unvested policyholder benefits liabilities		856,206	952,385
Total life insurance contract liabilities net of reinsurance		**4,011,545**	**4,729,629**
Reinsurance liability - ceded life insurance contracts[2)]		(186,229)	(197,781)
Reinsurance asset - ceded life insurance contracts		63,413	66,426
Total life insurance contract liabilities gross of reinsurance	4.2(e)	**3,888,729**	**4,598,274**

[1)] Life insurance contract related premiums received and receivable consists entirely of direct insurance premiums, there is no inward reinsurance component. The sum of "Life insurance contract related premiums received and receivable" (NZ$347.30m) and "Commission received from reinsurers" (NZ$44.20m) of NZ$391.60m is shown as "Life insurance contract related revenue" in the Consolidated income statement.
[2)] Reinsurance liability – ceded life insurance contracts reflect the present value of the net obligation to transfer cashflows under the 60% quota share reinsurance arrangement with the reinsurer, in return for upfront commission received. It also reflects the reinsurance position of the surplus reinsurance arrangement with the reinsurer.

Section 4: Accounting for life insurance contracts and investment contracts

4.2 Life insurance contracts – premiums, claims, expenses and liabilities (continued)

For participating business in the Branch, part of the assets in excess of the life insurance contract and other liabilities calculated under MoS are attributed to policyholders. Under the Life Act, this is referred to as policyholder retained profits. For the purpose of reporting under accounting standards, this amount is referred to as unvested policyholder benefits liabilities and is included within life insurance contract liabilities even though it is yet to be vested as specific policyholder entitlements.

Accounting policy

Insurance premium and related revenue

Life insurance contracts
Life insurance contract premiums are separated into their revenue and deposit components. Premium amounts earned by bearing insurance risks are recognised as revenue. Other premium amounts received, which are deposits, are recognised as an increase in life insurance contract liabilities.

Premiums with no due date or fixed amount are recognised on a cash-received basis. Premiums with a regular due date are recognised on an accruals basis. Unpaid premiums are only recognised during the days of grace or where secured by the surrender value of the life insurance contract and are reported as outstanding premiums and classified as receivables in the Statement of financial position.

Investment contracts
There is no premium revenue in respect of investment contracts. Amounts received from policyholders in respect of investment contracts comprise:

(i) origination fees and ongoing investment management fees.
(ii) amounts credited directly to investment contract liabilities.

Insurance claims and related expenses

Life insurance contracts
Life insurance contract claims are separated into their expense and withdrawal components. The component that relates to the bearing of insurance risks is treated as an expense. Other claim amounts, which are in the nature of withdrawals, are recognised as a decrease in life insurance contract liabilities.

Claims are recognised when the liability to the policyholder under the life insurance contract has been established or upon notification of the insured event, depending on the type of claim.

Investment contracts
There is no claims expense in respect of investment contracts. Amounts paid to policyholders in respect of investment contracts are withdrawals and are recognised as a decrease in investment contract liabilities.

	2022 NZ$000	**2021 NZ$000**
(e) Reconciliation of changes in life insurance contract liabilities		
Total life insurance contract liabilities at the beginning of the year	4,598,274	4,656,550
Change in life insurance contract liabilities recognised in the income statement	(707,456)	(53,487)
Premiums recognised as an increase in life insurance contract liabilities	1,218	4,014
Claims recognised as a decrease in life insurance contract liabilities	(11,409)	(24,695)
Change in reinsurance asset - ceded life insurance contracts	(3,451)	(2,494)
Change in reinsurance liability - ceded life insurance contracts	11,553	18,386
Total life insurance contract liabilities at the end of the year	**3,888,729**	**4,598,274**

Section 4: Accounting for life insurance contracts and investment contracts

4.3 Life insurance contracts – assumptions and valuation methodology

Life insurance contract liabilities, and hence the net profit from life insurance contracts, are calculated by applying the principles of MoS described in section 4.1. The key assumptions and methods used in the calculation of life insurance contract liabilities are outlined below.

The methods and profit carriers used to calculate life insurance contract liabilities for particular policy types are as follows:

Business type	Method	Profit carriers (for business valued using projection method)
Conventional	Projection	Bonuses
Investment account	Modified accumulation	n/a
Retail risk (lump sum)	Projection	Expected premiums
Retail risk (income protection)	Projection	Expected premiums
Group risk (lump sum)	Accumulation	n/a
Group risk (income benefits)	Accumulation	n/a
Participating allocated annuities	Modified accumulation	n/a
Life annuities	Projection	Annuity payments

(a) Risk-free discount rates

Except where benefits are contractually linked to the performance of the assets held, a risk-free discount rate based on current observable, objective rates that relate to the nature, structure and term of the future obligations is used. The rates are determined as shown in the following table:

Business type	Basis	31 December 2022	31 December 2021
Retail risk (other than income benefit open claims)[1]	Zero coupon government bond yield curve	4.5% - 5.1%	1.5% - 3.0%
Retail risk and group risk (income benefit open claims)	Zero coupon government bond yield curve (including liquidity premium)	4.9 %- 5.59%	1.7% - 3.2%
Life annuities (Non-CPI)	Zero coupon government bond yield curve (including liquidity premium)	5.0% - 5.7%	1.8% - 3.2%
Life annuities (CPI)	Commonwealth indexed bond yield curve (including liquidity premium)	2.8% - 3.1%	(0.3) - 1.0%

1 The discount rates vary by duration in the range shown above.

(b) Future maintenance and investment expenses

Unit maintenance costs are based on budgeted expenses in the year following the reporting date (including GST, as appropriate and excluding one-off expenses). For future years, these are increased for inflation as described in (c) below. These expenses include fees charged to the life statutory funds by service companies in the RLNOHC Limited group. Unit costs vary by product line and class of business based on an apportionment that is supported by expense analyses.

Future investment expenses are based on the fees currently charged by the asset managers.

Section 4: Accounting for life insurance contracts and investment contracts

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(c) Inflation and indexation

Benefits and premiums of many regular premium policies are automatically indexed by the published consumer price index (CPI). Assumed future take-up of these indexation options is based on the Branch's own experience. The annual future CPI rates are derived from the difference between long-term government bonds, with adjustments to capture short term shape of CPI rates.

The expense inflation assumptions have been set based on the inflation rates, recent expense performance, the Branch's current plans and the terms of the relevant service company agreement, as appropriate. The assumed future expense inflation is derived from the difference between long-term government bonds and indexed government bonds, with adjustments to capture short term shape of CPI rates.

The assumed annual CPI and expense inflation rates at 31 December 2022 are between 1.8%-3.6% for CPI and between 1.8%-3.6% for expenses (31 December 2021: 2.1% for CPI and 2.1% for expenses).

(d) Bases of taxation

The bases of taxation (including deductibility of expenses) are assumed to continue in accordance with legislation current at the valuation date.

(e) Voluntary discontinuance

Assumptions for the incidence of withdrawals (surrender), paid up policies, premium dormancy and policy lapse due to premium non-payment are primarily based on investigations of the Branch's own historical experience. These rates are based upon the assessed global rate for each of the individual products (or product groups) and then, where appropriate, further adjusted for factors such as duration, premium structure, smoker status, age attained or short-term market and business effects etc. Given the variety of influences affecting discontinuance for different product groups, the range of voluntary discontinuance rates across the Branch is extremely diverse.

The assumptions for future rates of discontinuance of the major classes of life insurance contracts have been reviewed and updated. Discontinuance assumptions were changed from those assumed at 31 December 2021 for Australian retail risk and certain portfolios of New Zealand retail risk.

Note that the wealth protection discontinuance rate ranges are calculated based on current business mix and various assumption rating factors. Discontinuance rates for conventional products are calculated based on average expected for the next five years.

Business type	31 December 2022	31 December 2021
Conventional	**1.0% - 2.1%**	1.0% - 2.1%
Retail risk (lump sum)	**4.7% - 17.1%**	4.7% - 17.0%
Retail risk (income benefit)	**8.8% - 15.1%**	8.8% - 15.0%

(f) Surrender values

The surrender bases assumed for calculating surrender values are those current at the reporting date. There have been no changes to the bases during the year (or the prior year) that would materially affect the valuation results.

Section 4: Accounting for life insurance contracts and investment contracts

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(g) Mortality and morbidity

Standard mortality and morbidity tables, based on national or industry wide data, are used.

Key assumptions are reviewed regularly throughout the year. Certain assumptions have been updated to reflect recent experience; this includes:

- COVID-19: Releasing the remaining allowances for short term deterioration.
- New Zealand retail lumpsum: Changes to mortality rates.

The assumptions are summarised in the following table.

Conventional	65.7% (M/F) % of IA95 – 97
Risk Products	99%-114% (M) / 81%-93% (F) Retail Lump Sum % of IA04-08[1]
Annuities	85% IML00* / 80% IFL00*[2]

1 Base IA04-08 Death Without Riders table modified based on aggregated experience but with overall product specific adjustment factors (estimated methodology used)

2 Annuities tables modified for future mortality improvements.

Typical morbidity assumptions, in aggregate, are as follows:

Income protection	**Incidence rates % of ADI 07-11**	**Termination rates (ultimate) % of ADI 07-11**
	83 - 149	82 - 152

Retail Lump Sum	**Male % of IA04-08**	**Female % of IA04-08**
TPD[3]	120	120
Trauma[4]	110 - 114	110 - 114

3 Base IA04-08 TPD table modified based on our aggregated experience but with overall product specific adjustment factors (estimated methodology used).
4 Base IA04-08 Trauma table modified based on our aggregated experience but with overall product specific adjustment factors (estimated methodology used).

Section 4: Accounting for life insurance contracts and investment contracts

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(g) Mortality and morbidity (continued)

The actuarial tables used were as follows:

IA95-97	A mortality table developed by the Institute of Actuaries of Australia based on Australian insured lives experience from 1995 to 1997. The table has been modified to allow for future mortality improvement.
IML00*/IFL00*	IML00 and IFL00 are mortality tables developed by the Institute and Faculty of Actuaries based on United Kingdom annuitant lives experience from 1999 to 2002. The tables refer to male and female lives respectively and incorporate factors that allow for mortality improvements since the date of the investigation. IML00 * and IFL00* are these published tables amended for some specific Resolution Life Australasia Limited experience.
IA04-08 DTH	This was published by the Institute of Actuaries of Australia under the name "A graduation of the 2004-2008 Lump Sum Investigation Data". The table has been modified based on aggregated experience with overall product specific adjustment factors.
IA04-08 TPD	This is the TPD graduation published in the same paper as above.
IA04-08 Trauma	This is the Trauma graduation published in the same paper as above.
ADI 07-11	A disability table developed by KPMG at the request of the Financial Services Council (FSC) based on Australian disability income experience for the period 2007-2011. This table has been adjusted for Resolution Life Australasia with overall product specific adjustment factors.

(h) Other participating business assumptions

Where benefits are contractually linked to the performance of the assets held, as is the case for participating business, a discount rate based on the expected market return on backing assets is used. The assumed earning rates for assets backing the participating business are largely driven by long-term government bond yields. The 10-year government bond yields used at the relevant valuation dates are as shown in the following table.

Assumed earning rates for each asset sector are determined by adding to the bond yield various risk premiums which reflect the relative differences in expected future earning rates for different asset sectors. For products backed by mixed portfolio assets, the assumption varies with the proportion of each asset sector backing the product. The risk premiums applicable at the valuation date are shown in the table below:

	10-year government bond yields	Risk premiums				
		Local equities	International equities	Property & Infrastructure	Fixed interest	Cash
	%	%	%	%	%	%
31 December 2022	4.5%	4.5%	3.5%	2.5%	0.5%	(1.0%)
31 December 2021	2.4%	4.5%	3.5%	2.5%	0.6%	(0.5%)

The risk premiums for local equities includes allowance for imputation credits. The risk premiums for fixed interest reflects credit ratings of the portfolio held.

The averages of the asset mixes assumed for the purpose of setting future investment assumptions for participating business at the valuation date are as shown in the table below. These asset mixes are not necessarily the same as the actual asset mix at the valuation date as they reflect long term assumptions.

Section 4: Accounting for life insurance contracts and investment contracts

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(h) Other participating business assumptions (continued)

Average asset mix[1)]	Equities	Property & Infrastructure	Fixed Interest	Cash
	%	%	%	%
31 December 2022	36	17	39	8
31 December 2021	36	18	39	7

1) The asset mix in the table above includes both conventional and investment account business.

Where an assumption used is net of tax, then tax on investment income is allowed for at rates appropriate to the class of business and asset sector, including any allowance for imputation credits on equity income. For this purpose, the total return for each asset sector is split between income and capital gains. The actual split has varied at each valuation date as the total return has varied.

For participating business, the total value of future bonuses (and the associated shareholders' profit margins) included in life insurance contract liabilities is the amount supported by the value of the supporting assets, after allowing for the assumed future experience. The pattern of bonuses and shareholders' profit margins assumed to emerge in each future year depends on the assumed relationship between reversionary bonuses (or interest credits) and terminal bonuses. This relationship is set to reflect the philosophy underlying actual bonus declarations.

Actual bonus declarations are determined to reflect, over time, the investment returns of the particular fund and other factors in the emerging experience and management of the business. These factors include:

- allowance for an appropriate degree of benefit smoothing
- reasonable expectations of policyholders
- equity between generations of policyholders applied across different classes and types of business
- ongoing capital adequacy.

Given the many factors involved, the range of bonus structures and rates for participating business is extremely diverse.

Typical supportable bonus rates on major product lines are as follows (31 December 2021 in parentheses).

Reversionary bonus	Bonus on sum insured	Bonus on existing bonuses
New Zealand	0.9% - 1.8% (0.5% - 1.4%)	0.9% - 1.8% (0.5% - 1.4%)

Terminal bonus
The terminal bonus scales are complex and vary by duration, product lines, class of business and country.

Crediting Rates (investment account) 2.5% - 2.7% (2.4% - 2.8%)

Section 4: Accounting for life insurance contracts and investment contracts

4.3 Life insurance contracts – assumptions and valuation methodology (continued)

(i) Impact of changes in assumptions

Under MoS, for life insurance contracts valuations using the projection method, changes in assumptions are recognised by adjusting the value of future profit margins in life insurance contract liabilities. Future profit margins are released over future periods.

Changes in assumptions do not include market related changes in discount rates such as changes in benchmark market yields caused by changes in investment markets and economic conditions. These are reflected in both life insurance contract liabilities and asset values at the reporting date.

The impact on future profit margins of actual changes in actuarial assumptions from 31 December 2021 to 31 December 2022 in respect of life insurance contracts (excluding new business contracts which are measured using assumptions at reporting date) is as shown in the table below.

Assumption change	Change in future profit margins NZ$000	Change in life insurance contract liabilities[2] NZ$000	Change in shareholder's profit and equity[3] NZ$000
Non-market related changes to discount rates	(3,122)	68	(37)
Mortality and morbidity	14,390	(369)	266
Discontinuance rates	5,313	(8,405)	6,052
Maintenance expenses	(855)	9	(10)
Premium rates	-	-	-
Other assumptions[1]	(596)	96	(19)

[1] Other assumption changes include the impact of modelling, reinsurance and product changes.

[2] Change in life insurance contract liabilities is net of reinsurance, gross of tax.

[3] Change in shareholders' profit and equity is net of reinsurance, net of tax.

In most cases, the overall amount of life insurance contract liabilities and the current period profit are not affected by changes in assumptions. However, where in the case of a particular non-participating related product group, the changes in assumptions at the end of a period eliminate any future profit margins for the related product group, and results in negative future profit margins, this negative balance for all forecasted future periods is recognised as a loss in the current period. If the changes in assumptions in a period are favourable for a product group currently in loss recognition, then the previously recognised losses are reversed in the period.

Section 4: Accounting for life insurance contracts and investment contracts

4.4 Life insurance contracts – risk

(j) Life insurance risk

The Branch issues contracts that transfer significant insurance risk from the policyholder, covering death, disability or longevity of the insured, often in conjunction with the provision of wealth management products.

The products carrying insurance risk are designed to ensure that policy wording and promotional materials are clear, unambiguous and do not leave the Branch open to claims from causes that were not anticipated. The variability inherent in insurance risk, including concentration risk, is managed by having a large geographically diverse portfolio of individual risks, underwriting and the use of reinsurance.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. Individual policies carrying insurance risk are generally underwritten individually on their merits. Individual policies which are transferred from a group scheme are generally issued without underwriting. Group risk insurance policies meeting certain criteria are underwritten on the merits of the employee group as a whole.

Claims are managed through a dedicated claims management team, with formal claims acceptance limits and appropriate training and development of staff with an objective to ensure payment of all genuine claims. Claims experience is assessed regularly, and appropriate actuarial reserves are established to reflect up-to-date experience and any anticipated future events. This includes reserves for claims incurred but not yet reported.

The Branch reinsures (cedes) to reinsurance companies a proportion of their portfolio or certain types of insurance risk, including catastrophe. This serves primarily to:

- reduce the net liability on large individual risks;
- obtain greater diversification of insurance risks;
- provide protection against large losses;
- reduce overall exposure to risk; and
- reduce the amount of capital required to support the business.

The reinsurance companies are regulated by the Australian Prudential Regulation Authority (APRA); or industry regulators in other jurisdictions and have strong credit ratings from A+ to AA+. In addition, for the Branch a reinsurance arrangement exists with RLNZ. This is to satisfy RBNZ requirements regarding Resolution Life Australasia's operating model and provides a level of additional protection for the Branch's policyholders, in the unlikely event of insolvency of Resolution Life Australasia.

Section 4: Accounting for life insurance contracts and investment contracts

4.4 Life insurance contracts – risk (continued)

(k) Key terms and conditions of life insurance contracts

The nature of the terms of the life insurance contracts written by the Branch is such that certain external variables can be identified on which related cash flows for claim payments depend. The following table provides an overview of the key variables upon which the timing and uncertainty of future cash flows of the various life insurance contracts issued by the Branch depend.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables affecting future cash flows
Non-participating life insurance contracts with fixed and guaranteed terms (term life and disability)	These policies provide guaranteed benefits, which are paid on death or ill-health, that are fixed and not at the discretion of the Life Companies. Premium rates for yearly renewable business are not guaranteed and may be changed at the discretion of the Life Companies for the portfolio as a whole.	Benefits are defined by the insurance contract and are not directly affected by the investment performance of any underlying assets.	Mortality, morbidity, lapses, expenses and investment market earning rates on assets backing the liabilities.
Life annuity contracts	These policies provide a guaranteed regular income for the life of the insured in exchange for an initial single premium.	The amount of the guaranteed regular income is set at inception of the policy allowing for any indexation.	Longevity, expenses, inflation and investment market earning rates on assets backing the liabilities.
Conventional life insurance contracts with discretionary participating benefits (endowment and whole of life)	The policyholder pays a regular premium and receives the specified sum insured plus any accruing bonuses on death or maturity. The sum insured is specified at inception and guaranteed. Bonuses are added annually, which once added are guaranteed. A further bonus may be added on surrender, death or maturity.	Benefits arising from the discretionary bonuses are based on the performance of a specified pool of contracts and the assets supporting these contracts.	Investment market earning rates on assets backing the liabilities, lapses, expenses and mortality.
Investment account contracts with discretionary participating features	The gross value of premiums received is invested in the investment account with fees and premiums for any associated insurance cover being deducted from the account balance when due. Interest is credited regularly.	Payment of the account balance is generally guaranteed, although it may be subject to certain penalties on early surrender or limited adjustment in adverse investment markets. Operating profit arising from these contracts is allocated between the policyholders and shareholders with not less than 80% allocated to policyholders. Distribution of policyholder profit is through an interest rate mechanism.	Fees, lapses, expenses and investment market earning rates on the assets backing the liabilities.

Section 4: Accounting for life insurance contracts and investment contracts

4.4 Life insurance contracts – risk (continued)

(l) Insurance risk sensitivity analysis – life insurance contracts

For life insurance contracts that are accounted for under MoS, amounts of liabilities, income or expense recognised in the period are unlikely to be sensitive to changes in variables even if those changes may have an impact on future profit margins, unless the product is in or close to loss recognition.

This table shows information about the sensitivity of life insurance contract liabilities and current period shareholder profit after income tax and equity, to a number of possible changes in assumptions relating to insurance risk.

As at 31 December 2022, Certain New Zealand retail risk lump sum portfolios are no longer in capitalised loss positions, hence the sensitivity impacts on insurance contract liabilities and shareholder profit are lower than last year.

		Change in life insurance contract liabilities		Change in the shareholder's profit after income tax and equity	
Variable	**Change in variable**	**Gross of reinsurance NZ$000**	**Net of reinsurance NZ$000**	**Gross of reinsurance NZ$000**	**Net of reinsurance NZ$000**
Mortality	10% increase in mortality rates	(939)	(939)	952	952
Annuitant mortality	50% increase in the rate of mortality improvement	626	626	(626)	(626)
Morbidity - lump sum disablement	20% increase in lump sum disablement rates	-	-	-	-
Morbidity - disability income	10% increase in incidence rates	3,690	3,690	(2,656)	(2,656)
Morbidity - disability income	10% decrease in termination rates	8,378	8,012	(6,032)	(5,769)
Discontinuance rates	10% increase in discontinuance rates	11,999	11,999	(8,639)	(8,639)
Maintenance expenses	10% increase in maintenance expenses	2,672	2,672	(1,930)	(1,930)

(m) Liquidity risk and future net cash outflows

The following table shows the estimated timing of future net cash outflows resulting from insurance contract liabilities. This includes estimated future surrenders, death/disability claims and maturity benefits, offset by expected future premiums or contributions and reinsurance recoveries. All values are discounted to the reporting date using the assumed future investment earning rate for each product.

	Up to 1 year NZ$000	1 to 5 years NZ$000	Over 5 years NZ$000	Total NZ$000
31 December 2022	131,494	394,404	1,815,670	2,341,568
31 December 2021	102,651	343,610	2,420,933	2,867,193

Section 4: Accounting for life insurance contracts and investment contracts

4.5 Other disclosure – life insurance contracts and investment contracts

(a) Analysis of life insurance and investment contract profit

	2022 NZ$000	2021 NZ$000
(a) Analysis of life insurance and investment contract profit		
Components of profit related to life insurance and investment contract liabilities:		
- Planned margins of revenues over expenses released	**31,860**	29,993
- Gains (losses) arising from difference between actual and assumed experience	**21,690**	28,511
- Profits arising from changes in assumptions	**(9,713)**	(8,546)
- Capitalised (losses) reversals	**6,256**	7,851
Profit related to life insurance and investment contract liabilities	**50,092**	57,810
Attributable to:		
- Life insurance contracts	**46,963**	55,795
- Investment contracts	**3,129**	2,014
Profit related to life insurance and investment contract liabilities	**50,092**	57,809
Investment earnings on assets in excess of life insurance and investment contract liabilities	**(24,077)**	(4,848)

(b) Restrictions on assets in statutory funds

The Branch conducts investment linked and non-investment linked business. For investment linked business, deposits are received from policyholders, the funds are invested on behalf of the policyholders and the resulting liability to policyholders is linked to the performance and value of the assets that back those liabilities.

Resolution Life Australasia has three statutory funds. All of the business of the Branch is held in the No.1 statutory fund. The business includes whole of life, endowment, investment account, retail and group risk, investment linked and immediate annuities.

Investments held in the life statutory funds can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions provided regulatory capital (solvency and capital adequacy) requirement and other regulatory requirements are met.

Further details about solvency and capital adequacy are provided in Note 4.5 (d).

(c) Capital guarantees

	2022 NZ$000	2021 NZ$000
Life insurance contracts with a discretionary participating feature		
- Amount of the liabilities that relate to guarantees	**2,037,088**	2,210,009
Investment linked contracts		
- Amount of the liabilities subject to investment performance guarantees	**-**	-

Section 4: Accounting for life insurance contracts and investment contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(d) Capital requirements

The RBNZ has granted the Company a full licence to carry on insurance business in New Zealand under IPSA. As part of the grant of that license, the Company was granted certain exemptions from IPSA by virtue of its status as an Australian regulated entity. This status requires Resolution Life Australasia to ensure that it meets all standards and regulations applicable in Australia and enforced by the Australian Prudential Regulation Authority.

As a condition of approving the sale of Resolution Life Australasia to the Resolution Group, the RBNZ imposed certain new licensing conditions on the Branch. Relevantly, these include that the Company must establish and maintain a Trust to hold assets referable to the value of policy liabilities for New Zealand participating and non-participating policies.

Registered life insurance entities are required to hold prudential reserves, over and above their life insurance contract and investment contract liabilities, as a buffer against adverse experience and poor investment returns. These reserving requirements are specified by APRA prudential capital standards. The standards are intended to take account of the full range of risks to which a regulated institution is exposed and specifies the Prescribed Capital Amount (PCA) requirement. The PCA is the minimum level of capital that the regulator deems must be held to meet policyholder obligations.

In addition to the regulatory capital requirements, Resolution Life Australasia maintains a target surplus providing an additional capital buffer against adverse events. Resolution Life Australasia uses internal capital models to determine its target surplus amount to hold above regulatory requirements, with the models reflecting the risks of the business, principally the risk of adverse asset movements relative to the liabilities and of worse than expected claims costs.

Section 4: Accounting for life insurance contracts and investment contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(d) Capital requirements (continued)

2022 Prescribed Capital Amount PCA1)		No 1 Statutory Fund AUD$M	Shareholder's Fund AUD$M	Total AUD$M
Capital Base				
Net assets as per Life Insurance Act				
- Common equity Tier 1 Capital		1,645	359	2,004
- Additional Tier 1 Capital		-	-	-
Total regulatory adjustments to net assets				
- Total regulatory adjustments to Common equity Tier 1 Capital		(87)	(73)	(160)
Common equity Tier 1 Capital		1,558	286	1,844
Tier 2 Capital		300	-	300
Total regulatory adjustments to Tier 2 Capital				
Total capital base	**A**	**1,858**	**286**	**2,144**
Prescribed capital				
Insurance risk charge		180	-	180
Asset risk charge		404	1	405
Asset concentration risk charge		-	-	-
Operational risk charge		95	-	95
Less aggregation benefit		(110)	-	(110)
Combined stress scenario adjustment		116	-	116
Total Prescribed capital Amount (PCA)	**B**	**685**	**1**	**686**
Capital adequacy multiple	**A/B**	**271%**	**28600%**	**313%**

2021 Prescribed Capital Amount PCA1		No 1 Statutory Fund AUD$M	Shareholder's Fund AUD$M	Total AUD$M
Capital Base				
Net assets as per Life Insurance Act				
- Common equity Tier 1 Capital		1,785	423	2,208
- Additional Tier 1 Capital		-	-	-
Total regulatory adjustments to net assets				
- Total regulatory adjustments to Common equity Tier 1 Capital		245	(73)	172
Common equity Tier 1 Capital		2,030	350	2,380
Tier 2 Capital		300	-	300
Total regulatory adjustments to Tier 2 Capital				
Total capital base	**A**	**2,330**	**350**	**2,680**
Prescribed capital				
Insurance risk charge		341	-	341
Asset risk charge		583	3	586
Asset concentration risk charge		-	-	-
Operational risk charge		112	-	112
Less aggregation benefit		(192)	-	(192)
Combined stress scenario adjustment		95	1	96
Total Prescribed capital Amount (PCA)	**B**	**939**	**4**	**943**
Capital adequacy multiple	**A/B**	**248%**	**8750%**	**284%**

1) This only relates to of Resolution Life Australasia Limited No. 1 Statutory Fund and Shareholders' Fund.

Section 4: Accounting for life insurance contracts and investment contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(e) Actuarial information

Mr Greg Martin (BA, FIAA, FFin, FAICD, CERA), the Appointed Actuary, is satisfied as to the accuracy of the data used in the valuations in the financial report and in the tables in notes 4.2 to 4.5.

The liabilities to policyholders, capital base and prescribed capital amounts have been determined at the reporting date in accordance with the Life Act. Mr Greg Martin has no financial interest in the Branch.

The liabilities to policyholders (being the sum of the life insurance contract and investment contract liabilities, including any asset or liability arising in respect of the management services element of an investment contract), capital base and prescribed capital amounts have been determined at the reporting date in accordance with the Life Act.

(f) Amounts which may be recovered or settled within 12 months after the reporting date

Based on assumptions as to likely withdrawal patterns of the various product groups, it is estimated that approximately NZ$ 386.70m (2021: NZ$373.10m) of policy liabilities may be settled within 12 months of the reporting date.

Section 4: Accounting for life insurance contracts and investment contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(g) Disaggregated information

The Life Act requires the life insurance business of the Branch to be conducted within a life statutory fund that is separate to the Resolution Life Australasia Shareholder Fund. Information for all major components of the consolidated financial statements disaggregated between the Statutory Fund and the Shareholder Fund is provided within this note.

(i) Income statement by non-investment linked and investment linked

2022	Investment Linked *NZ$000*	Non-Investment Linked *NZ$000*	Total Statutory Fund *NZ$000*	Share-holder's Fund *NZ$000*	Total *NZ$000*
Income and expenses of policyholders and the shareholder					
Life insurance contract related revenue - net of reinsurance	-	221,384	221,384	-	221,384
Fee and other revenue	2,689	-	2,689	-	2,689
Investment gains and (losses)	(28,988)	(695,711)	(724,699)	10	(724,689)
Life insurance contract claims expenses - net of reinsurance		(254,534)	(254,534)	-	(254,534)
Operating expenses	(1,936)	(70,639)	(72,575)	-	(72,575)
Finance costs	-	(275)	(275)	-	(275)
-Life insurance contracts	-	707,456	707,456	-	707,456
-Investment contracts	27,175	9,673	36,848	-	36,848
Profit (loss) before income tax	(1,060)	(82,646)	(83,706)	10	(83,696)
Income tax credit (expense)	297	108,320	108,617	(5)	108,612
Net profit for the year	(763)	25,674	24,911	5	24,916

2021	Investment Linked *NZ$000*	Non-Investment Linked *NZ$000*	Total Statutory Fund *NZ$000*	Share-holder's Fund *NZ$000*	Total *NZ$000*
Income and expenses of policyholders and the shareholder					
Life insurance contract related revenue - net of reinsurance	-	235,811	235,811	-	235,811
Fee and other revenue	1,209	(9)	1,200	-	1,200
Investment gains and (losses)	30,775	(15,100)	15,675	12	15,687
Life insurance contract claims expenses - net of reinsurance	-	(248,623)	(248,623)	-	(248,623)
Operating expenses	(2,539)	(76,273)	(78,812)	38	(78,774)
Finance costs	-	(445)	(445)	-	(445)
-Life insurance contracts	-	53,487	53,487	-	53,487
-Investment contracts	(27,556)	-	(27,556)	-	(27,556)
Profit (loss) before income tax	1,889	(51,152)	(49,263)	50	(49,213)
Income tax credit (expense)	(97)	102,269	102,172	(3)	102,169
Net profit for the year	1,792	51,117	52,909	47	52,956

Section 4: Accounting for life insurance contracts and investment contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(g) Disaggregated information

(ii) Statement of financial position by statutory fund and shareholder's fund

2022	Investment Linked NZ$000	Non-Investment Linked NZ$000	Total Statutory Fund NZ$000	Share-holder's Fund NZ$000	Total NZ$000
Assets					
Investments in financial assets	72,603	4,792,500	4,865,103	-	4,865,103
Other assets	(29,407)	1,083,376	1,053,969	37,480	1,091,449
Total assets of policyholders and the shareholder	**43,196**	**5,875,876**	**5,919,072**	**37,480**	**5,956,552**
Liabilities					
Life insurance contract liabilities	(185)	3,888,913	3,888,728	-	3,888,728
Investment contract liabilities	251,517	-	251,517	-	251,517
Other liabilities	(29,827)	1,110,346	1,080,519	94	1,080,613
Total liabilities of policyholders and the shareholder	**221,505**	**4,999,259**	**5,220,764**	**94**	**5,220,858**
Net assets	**(178,309)**	**876,617**	**698,308**	**37,386**	**735,694**

2021	Investment Linked NZ$000	Non-Investment Linked NZ$000	Total Statutory Fund NZ$000	Share-holder's Fund NZ$000	Total NZ$000
Assets					
Investments in financial assets	242,968	5,640,651	5,883,619	-	5,883,619
Other assets	(32,194)	1,205,650	1,173,456	37,452	1,210,908
Total assets of policyholders and the shareholder	**210,774**	**6,846,301**	**7,057,075**	**37,452**	**7,094,527**
Liabilities					
Life insurance contract liabilities	-	4,598,274	4,598,274	-	4,598,274
Investment contract liabilities	308,305	-	308,305	-	308,305
Other liabilities	(99,323)	1,532,949	1,433,626	70	1,433,696
Total liabilities of policyholders and the shareholder	**208,982**	**6,131,223**	**6,340,205**	**70**	**6,340,275**
Net assets	**1,792**	**715,078**	**716,870**	**37,382**	**754,252**

Section 4: Accounting for life insurance contracts and investment contracts

4.5 Other disclosure – life insurance contracts and investment contracts (continued)

(g) Disaggregated information

(iii) Retained earnings by statutory fund and shareholders' fund

2022	Non-Investment Linked NZ$000	Investment Linked NZ$000	Total Statutory Funds NZ$000	Share-holder's Fund NZ$000	Total NZ$000
Opening retained earnings	1,792	715,078	716,870	37,382	754,252
Net profit (loss)	(763)	25,674	24,911	5	24,916
Transfer of profit to Resolution Life Australasia Limited Shareholder Fund (Parent)	-	(43,474)	(43,474)	-	(43,474)
Transfers between statutory and shareholder's funds	-	-	-	-	-
Closing retained earnings	**1,029**	**697,278**	**698,307**	**37,387**	**735,694**

2021	Non-Investment Linked NZ$000	Investment Linked NZ$000	Total Statutory Funds NZ$000	Share-holder's Fund NZ$000	Total NZ$000
Opening retained earnings	1,492	704,154	705,646	37,335	742,981
Net profit (loss)	1,792	51,117	52,909	47	52,956
Transfer of profit to Resolution Life Australasia Limited Shareholder Fund (Parent)	-	(41,685)	(41,685)	-	(41,685)
Transfers between statutory and shareholder's funds	(1,492)	1,492	-	-	-
Closing retained earnings	**1,792**	**715,078**	**716,870**	**37,382**	**754,252**

(h) Analysis of other life insurance and investment contract operating expenses

	2022 NZ$000	2021 NZ$000
Other life insurance and investment contract acquisition expenses		
- Commission	80	132
Other life insurance and investment contract maintenance expenses		
- Commission	447	472
- Other expense	1,031	1,278
Investment management expenses	2,008	3,748

Section 5: Employee disclosure

5.1 Key management personnel

(a) Key management personnel details

The following individuals were the key management personnel of Resolution Life Australasia Limited (being those persons having authority and responsibility for planning, directing and controlling the activities of the Branch, directly or indirectly, including any director (whether executive or otherwise) of Resolution Life Australasia for the whole or part of the reporting period as indicated:

Name	**Position**
David Clarke	Chairman, Non-executive Director
Tim Tez	Chief Executive Officer appointed 6 February 2023
Megan Beer	Chief Executive Officer resigned 6 February 2023
Rosheen Garnon	Non-executive Director
John Hele	Non-executive Director
Jonathan Moss	Non-executive Director
Keith Taylor	Non-executive Director
Trevor Matthews	Non-executive Director

(b) Compensation to key management personnel

The following table has been extracted from the Resolution Life Australasia Limited's financial statements for the year ended 31 December 2022. It provides aggregate details of the compensation of the key management personnel of Resolution Life Australasia Limited (in thousands of Australian dollars). The remuneration is borne and paid by Resolution Life Australasia Limited.

	2022 NZ$000	**2021 NZ$000**
Short term benefits	2,451	2,688
Post-employee benefits	216	168
Other long-term benefits	1,620	1,460
Total	**4,287**	**4,316**

Accounting policy – recognition and measurement

Short-term benefits - Liabilities arising in respect of salaries and wages and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts.

Post-employment benefits - Defined contribution funds - The contributions paid and payable by Resolution Life Australasia Group to defined contributions funds are recognised in the consolidated Income statement as an operating expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other long-term benefits - Other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, discount rates are determined with reference to market yields at the end of the reporting period on high quality corporate bonds.

Section 6: Related party disclosures

- 6.1 Controlled entities
- 6.2 Investments in associates
- 6.3 Transactions with related parties

6.1 Controlled entities

Details of significant investments in controlled entities held by the Resolution Life Australasia Limited (New Zealand Branch) No.1 Statutory Fund are as follows. No entities were controlled by the Shareholder Fund as at 31 Dec 2022 and 2021:

			Ownership Interest	
			2022	2021
	Incorporation	Share type	%	%
Resolution Life (NZ) Investments Holdings Limited	New Zealand	Ordinary	100	100
Resolution Life (NZ) Investments Limited	New Zealand	Ordinary	100	100
Resolution Life NZ Trust Fund	New Zealand	Units	100	100
Resolution Life ERGO Mortgage and Savings Limited	New Zealand	Ordinary	100	100
NZ Core Fixed Income Non-Par	New Zealand	Units	100	100
NZ Core Fixed Income Fund	New Zealand	Units	100	100
AMP Capital Australasian Shares Multi-manager Fund 2	New Zealand	Units	100	100
AMP Capital Wholesale Unit Trust Direct Property Fund	New Zealand	Units	100	100

Critical accounting estimates and judgements:

Judgement is applied in determining the relevant activities of each entity and determining, whether the Branch has power over these activities and whether control exists. This involves assessing the purpose and design of the entity and identifying the activities which significantly affect that entity's returns and how decisions are made about those activities. In assessing how decisions are made, management considers voting and veto rights, contractual arrangements with the entity or other parties including investment management agreements as relevant, and any rights or ability to appoint, remove or direct key management personnel or entities that have the ability to direct the relevant activities of the entity. Management also considers the practical ability of other parties to exercise their rights.

Judgement is also applied in identifying the variable returns of each entity and assessing the Branch's exposure to these returns. Variable returns include distributions, exposure to gains or losses and fees that may vary with the performance of an entity.

All above entities are consolidated in these financial statements.

Section 6: Related party disclosures

6.2 Investments in associates

Investments in significant associates held by the life entity's statutory funds measured at fair value through profit or loss

	Incorporation	Principle Activity	2022 %	2021 %	2022 NZ$000	2021 NZ$000
MAM CAPITAL NEW ZEALND SHARES FUND	New Zealand	Equity Investment	59	57	212,343	142,185
MAM GLOBAL LISTED REAL ESTATE FUND AND GLRE FUND	New Zealand	Property Investment	35	31	112,866	262,778
MAM NZ SHARES INDEX FUND	New Zealand	Fixed income Investment	39	-	88,481	-
MAM GLOBAL LISTED INFRASTRUCTURE FUND AND GLI FUND	New Zealand	Infrastructure Investment	43	58	114,380	134,040
MAM CAPITAL AUSTRALIAN SHARES FUND	Australia	Equity Investment	59	46	288,643	240,933
AMP LIFE INTERNATIONAL EQUITIES FUND CLASS C	New Zealand	Equity Investment	31	-	212,172	-
INFRASTRUCTURE TRUST NO 1 CLASS O	New Zealand	Infrastructure Investment	23	-	312,352	-
Total investments held by the life statutory fund in associated unit trusts and other entities					**1,341,777**	**779,936**

Investments in these entities exceeded 50% at 31 December 2022 and / or 2021. However, management assessed that the Trust does not control these entities and therefore are treated as associates.

In the course of normal investment activities, the Statutory Fund holds investments in various operating businesses. Investments in associated entities reflect investments where the Statutory Fund holds between a 20% and 50% equity interest.

Accounting Policy – recognition and measurement

Investments in associates measured at fair value through profit or loss
Associated entities are defined as those entities over which the Branch has significant influence but there is no capacity to control. Investments in associates held to back investment contract liabilities and life insurance contract liabilities are exempt from the requirement to apply equity accounting and have been designated on initial recognition as financial assets measured at fair value through profit or loss.

Section 6: Related party disclosures

6.3 Transactions with related parties

The Branch has transactions with related parties including controlled entities and associated entities. The outstanding balances with related parties at 31 December 2022 and 31 December 2021 are unsecured, non-interest bearing and settlement occurs in cash or through inter-company accounts as necessary.

The following table provides the value of significant transactions which the Branch has entered into with related parties for the relevant financial year.

Fellow subsidiaries of Resolution Life Group		**Service, management, recharges, dividends and other fee revenue from related parties NZ$000**	**Service, management and other fee expense to related parties NZ$000**	**Amounts owed by related parties NZ$000**	**Amounts owed to related parties NZ$000**
Resolution Life Australasia Limited Shareholder Fund (Parent)	**2022**	-	-	-	**40,544**
	2021	-	-	-	17,782
Resolution Life Services (NZ) Limited	**2022**	-	**36,314**		(63)
	2021	-	39,471	3,527	-
Unit trusts and other entities					
Unit Trusts and other entities	**2022**	**97,063**	-	-	-
	2021	19,949	-	-	-

Section 7: Other disclosures

7.1 Notes to Statement of cash flows

(a) Reconciliation of cash flow from operating activities

	2022 NZ$000	2021 NZ$000
Net profit after income tax	24,916	52,956
Depreciation and amortisation	-	35
Net realised and unrealised gains on investment assets	976,638	200,401
Dividends and distributions reinvested	(71,878)	(90,764)
Decrease in life insurance contract liabilities	(709,546)	(58,276)
(Increase) /decrease in investment contract liabilities	(56,788)	5,891
Decrease in income tax balances	(129,263)	(216,426)
Decrease in other operating assets and liabilities	(15,842)	(33,063)
Cash flows used in operating activities	**18,237**	**(139,246)**

(b) Reconciliation of cash
For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 31 December:

Cash on hand	373,742	384,015
Balance at the end of the period	**373,742**	**384,015**

Cash and cash equivalents earn interest at floating rates predominantly based on overnight cash rates.

Accounting policy – recognition and measurement

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand that is available on demand and deposits that are held at call with financial institutions. For the purpose of the Statement of cash flows, cash and cash equivalents also includes other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in the Statement of financial position. Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as "cash and cash equivalents".

Section 7: Other disclosures

7.2 Contingent liabilities

The Branch from time to time may incur obligations arising from litigation or various types of contracts entered into in the normal course of business including guarantees issued for performance obligations to controlled entities of the Branch. A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable, or where the obligation is probable, but the financial impact of the event is unable to be reliably estimated.

Where it is determined that the disclosure of information in relation in relation to a contingent liability can be expected to seriously prejudice the position of the Branch (or its insurers) in a dispute, accounting standards allow the Branch not to disclose such information and it is the Branch's policy that such information is not to be disclosed in this note.

At reporting date there were no material contingent liabilities where the probability of any outflow in settlement was greater than remote.

7.3 Auditor's Remuneration

Amounts paid to the Auditor of the Branch for:

	2022 NZ$000	2021 NZ$000
Audit of consolidated financial statements	455	175
Total audit service fees	**455**	**175**

The above amounts are inclusive of non-recoverable GST.

7.4 New accounting standards

New accounting standards issued but not yet effective

NZ IFRS 17 Insurance contracts

The Branch is well-progressed in its preparation for NZ IFRS 17 and has produced a draft transition balance sheet. The 31 December 2022 balance sheet and income statement are still in production, and subject to audit later in 2023. These preliminary calculations and transition results indicate that the NZ IFRS 17 balance sheet and income statements remain strong with net assets comparing well to NZ IFRS 4. The capital and solvency position also remains strong with minimal impact to the entity's solvency position following the regulator's updates to incorporate NZ IFRS 17.

Returns to shareholders are expected to be similar over time relative to NZ IFRS 4. Statutory profit, however, may be lower in the short-term and then higher in the medium to long-term. Bonus declarations for participating policyholders are not expected to be significantly impacted by NZ IFRS 17.

The new standard will impact future financial reports in areas such as:

- Contracts affected – All insurance contracts and contract parts will be valued under NZ IFRS 17, with investment contracts valued under NZ IFRS 9 (with no change to NZ IFRS 9).
- Realistic assumptions – Best estimate assumption used under NZ IFRS 4 are considered fit for use under NZ IFRS 17, subject to regular assumption reviews as per the current process. A stochastic valuation will be used for the Participating Fund time value of guarantees.
- Groups of contracts – contracts will be grouped into portfolios and groups where appropriate such that contracts with different levels of profitability are separated and a portfolio comprises contracts subject to similar risks and managed together.
- Coverage period – contracts have been analysed to determine contract boundaries with differences evident between stepped and level premium retail business, group risk, reinsurance and the participating fund.
- Deferred acquisition cost assets – accounting policies regarding the current DAC asset and future IACF are in place.
- Separating components – the Branch has identified product components (contract parts) and will account for them separately, including distinct investment and risk components.

Section 7: Other disclosures

7.4 New accounting standards continued

NZ IFRS 17 Insurance contracts (continued)

- Measurement model – the Branch will use all three measurement models (General Measurement Model (GMM), Premium Allocation Approach (PAA) and Variable Fee Approach (VFA)) having considered the appropriateness of PAA and VFA for certain lines of business. (GMM being the default approach for most business and PAA being the default approach when the contract boundary is less than one year). The Branch intends to use VFA for Participating business.
- Risk adjustments – the Branch has determined a risk adjustment methodology that will be used consistently in each reporting period.
- Disclosure – the Branch intends to complete NZ IFRS 17 disclosures as required in its 2023 accounts.
- Transition – the Branch has developed transition methodology that uses a combination of fully retrospective and fair value approaches, depending on portfolio.

In respect of NZ IFRS 17 implementation:

The Branch has a large multi-gaap accounting and actuarial implementation programme involving significant system and process changes in order to implement NZ IFRS 17 and other global standards.
Implementation plans are in place, progress is regularly monitored against those plans and action is taken where milestones are not met.
The Branch has a technical accounting committee that reviews all methodology decisions. Accounting policies that sit above these methodologies have been discussed with directors prior to approval.

NZ IAS 1 Accounting policies
On 12 February 2021, the IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023. The changes are not expected to have a material impact on the financial statements of the Branch.

NZ IAS 1 Classifications
On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022, however, their effective date has been delayed to 1 January 2023. The changes are not expected to have a material impact on the financial statements of the Branch.

NZ IAS 8 Amendments on accounting estimates
On 12 February 2021, the IASB issued 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023. The changes are not expected to have a material impact on the financial statements of the Branch.

NZ IAS 12 Amendments on deferred tax
On 7 May 2021, the IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023. The adoption of this standard is not expected to have a significant impact on the financial statements of the company when adopted.

Section 7: Other disclosures

7.5 Events Occurring after reporting date

Commitment by Nippon Life to invest in Resolution Life

In January 2023, Nippon Life committed to make a further investment of US$1 billion in the Resolution Life Group Holdings LP (the ultimate parent of the Branch) following the recently announced strategic partnership between Resolution Life Group Holdings LP and Blackstone. This investment will allow the business to support its continued growth objectives.

Current Market Conditions

Early in 2022 Russia invaded Ukraine, which is a tragic event first and foremost for the people impacted. This resulted in uncertainty in energy and food markets and impacted international supply chains. It also elevated cyber security risks which resulted in some high-profile security breaches. The RLNOHC group maintains a cyber security team to mitigate cyber security risks.

While most counties in the world were able to ease COVID-related restrictions, new variants are still causing disruptions. China suffered a lengthy lock-down followed by rapid growth in covid cases following the re-opening of international borders towards the end of 2022. This resulted in additional strains on international supply chains, which led to sharp rises in inflation world-wide. Central banks responded by raising interest rates in many cases substantially. This has resulted in significant volatility in bond and equity markets. Both Australian and New Zealand saw significant volatility in bond and equity markets over the first 3 quarters of 2022, but conditions started to improve in the 4th quarter.

The liquidity and capital position of Resolution Life Australasia is designed to withstand shocks to financial markets. We continue to actively monitor the extent of the potential financial impact on the Company's business, results of operations, financial condition, liquidity and cash flows as well as indirect impacts on the Company including supply chain, potential for increased malicious cyber-attacks and impact on staff.