CHUBB INSURANCE COMPANY OF AUSTRALIA LIMITED
NEW ZEALAND BRANCH

ANNUAL FINANCIAL REPORT

For the year ended 31 December 2015

CHUBB INSURANCE COMPANY OF AUSTRALIA LIMITED
NEW ZEALAND BRANCH

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CHUBB INSURANCE COMPANY OF AUSTRALIA LIMITED
NEW ZEALAND BRANCH

CORPORATE INFORMATION

Directors
B.R. Bollom (Chairman)
P.V. D'Souza
M.T. Doquile
A.R. Gourley
R.L. Hick
G.M. Seymour

Company Secretary
V. Webster

Registered Office
88 Shortland Street
Auckland 1010
NEW ZEALAND

Banker
National Australia Bank

Auditors
Ernst & Young

These financial statements cover Chubb Insurance Company of Australia Limited New Zealand Branch as an individual entity only.

CHUBB INSURANCE COMPANY OF AUSTRALIA LIMITED
NEW ZEALAND BRANCH

DIRECTORS' REPORT

The directors of Chubb Insurance Company of Australia Limited (the Company) submit their report on the Chubb Insurance Company of Australia Limited New Zealand Branch (the Branch) for the year ended December 2015. The Branch results represent the general insurance activities in New Zealand underwritten by the Company.

DIRECTORS

The names and details of the directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications and experience

Bruce R Bollom

Independent Director. Bachelor of Arts (Accounting and Economics) Macquarie University, Certified Practising Accountant, former Chief Executive Officer, Australia and New Zealand, Willis Australia Ltd. Over 30 years experience in the insurance industry.

James P Bronner

Senior Vice President of Federal Insurance Company, Manager of Asia Pacific Zone Chubb Group of Insurance Companies, Director of Chubb Pacific Underwriting Management Services (PTE) Ltd. Bachelor degree in Finance and Accounting (Manhattan College). Over 30 years experience in the insurance industry. Resigned 15 November 2015.

Paul V D'Souza

Senior Vice President of Federal Insurance Company, Director of Chubb Pacific Underwriting Management Services (PTE) Ltd, Chief Financial Officer Asia Pacific Zone Chubb Group of Insurance Companies, Bachelor of Commerce (Calcutta University), Chartered Accountant, MBA (London Business School).

Matthew T Doquile

Chief Executive Officer of Chubb Insurance Company of Australia Limited. B. Ec. (Monash); EMBA (Aust Grad School of Management). Over 20 years experience in the insurance industry. Appointed 20 July 2015.

Andrew R Gourley

Vice President of Chubb Insurance Company of Australia Limited, Chief Financial Officer and Chief Operating Officer of Chubb Insurance Company of Australia Limited, Bachelor of Commerce (UNSW), Chartered Accountant. Over 25 years experience in the insurance industry.

Raymond L Hick

Independent Director. AAII, London Business School Senior Executive Programme, Asian Marketing UCLA. Retired former Director QBE Insurance Hong Kong, Sashin QBE Thailand, QBE Insurance Berhad Malaysia, QBE Pool Indonesia, QI PNG, QI Fiji. Former Chairman Hongkong & Shanghai Insurance Co. Over 30 years experience in the insurance industry.

Mark T Lingafelter

Senior Vice President of Chubb Insurance Company of Australia Limited, Managing Director and Country Manager of Chubb Insurance Company of Australia Limited. Bachelor of Arts (Colby College Maine USA). Over 30 years experience in the insurance industry. Resigned 14 May 2015.

Gary M Seymour

Independent Director. GAICD, ANZIIF Snr Associate, Diploma of Fin Serv (Insurance Broking). Over 35 years in the insurance industry.

CHUBB INSURANCE COMPANY OF AUSTRALIA LIMITED
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PRINCIPAL ACTIVITIES

The principal continuing activity of the Chubb Insurance Company of Australia Limited New Zealand Branch (the Branch) is general insurance underwriting in New Zealand.

OPERATING RESULT

	2015 $	2014 $
Operating loss for the period after income tax	(1,064,303)	(361,144)

REVIEW OF OPERATIONS

The Branch made an underwriting loss in 2015 of $1,010,975 due to adverse claims experience.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Branch plans to continue to operate in the general insurance market in New Zealand.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Branch has assessed whether there are any particular or significant environmental regulations applying to it and has determined that there are not.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to 31 December 2015 with the exception of the acquisition of Chubb Corporation by ACE Limited on 15th January 2016.

CHUBB INSURANCE COMPANY OF AUSTRALIA LIMITED
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DIRECTORS' MEETINGS

The directors of the Company are also the directors of the Branch. Separate directors meetings are not held for the Branch. For directors holding office during the year, details of the number of directors' meetings held and attended are as follows:

	Board Meetings		Audit Committee		Risk and Compliance Committee		Remuneration	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
B.R. Bollom	5	5	4	4	4	4	2	2
A.R. Gourley	5	5						
R.L. Hick	5	5	4	4	4	4	2	2
M.T. Lingafelter[1]	3	3						
J.P. Bronner[2]	4	4						
P.V. D'Souza	5	5	4	4	4	4	2	2
G.M. Seymour	5	5	4	4	4	4	2	2
M.T. Doquile[3]	2	2						

[1] *resigned 14 May 2015*
[2] *resigned 15 November 2015*
[3] *commenced 20 July 2015*

At the date of this report the Company has an Audit Committee, a Risk and Compliance Committee and a Remuneration Committee of the Board of Directors.

Members acting on the Audit Committee and Risk and Compliance Committee during the year were R.L. Hick (Chairman of the Audit Committee and the Risk and Compliance Committee), G.M.Seymour, B.R. Bollom and P.V. D'Souza. Members acting on the Remuneration Committee during the year were G.M. Seymour (Chairman of the Remuneration Committee), B.R. Bollom, R.L. Hick and P.V. D'Souza.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial period end Chubb Corporation Inc has paid premiums in respect of a contract insuring the Directors of the Company against legal costs incurred in defending proceedings and for damages for breach of duty. The terms of the policy prohibit disclosure of details of the insurance cover and premiums paid.

NON-AUDIT SERVICES

The Branch's auditor, Ernst and Young, did not provide any non-audit services to the Branch during the period.

Signed in accordance with a resolution of directors

A.R. Gourley
Director
Sydney 30 March 2016

M. Doquile
Director

CHUBB INSURANCE COMPANY OF AUSTRALIA LIMITED
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 $	2014 $
Premium revenue	7	1,918,400	334,748
Outwards reinsurance premium expense		(269,605)	(54,730)
		1,648,795	280,018
Claims expense	8	(1,802,643)	(179,259)
Reinsurance and other recoveries revenue	9	119,136	23,756
	22	(1,683,507)	(155,503)
Other underwriting expenses	10	(976,263)	(466,482)
Underwriting result		**(1,010,975)**	**(341,967)**
Net loss before tax		**(1,010,975)**	**(341,967)**
Income tax expense	11	(53,328)	(19,177)
Net loss after tax attributable to equity holders		**(1,064,303)**	**(361,144)**
Other comprehensive income		-	-
Total comprehensive loss for the year, net of tax, attributable to equity holders		**(1,064,303)**	**(361,144)**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CHUBB INSURANCE COMPANY OF AUSTRALIA LIMITED
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015 $	2014 $
ASSETS			
Current assets			
Receivables including insurance receivables	13	538,005	390,874
Reinsurance and other recoveries receivable	14	31,047	2,549
Prepaid reinsurance premiums	15	77,231	26,931
Deferred acquisition costs	16	172,111	91,582
Total current assets		818,394	511,936
Non-current assets			
Reinsurance and other recoveries receivable	14	111,845	21,207
Prepaid reinsurance premiums	15	8,285	-
Total non-current assets		120,130	21,207
Total assets		**938,524**	**533,143**
LIABILITIES			
Current liabilities			
Payables	17	225,155	88,343
Outstanding claims liability	18	568,071	33,657
Unearned premium liability	19	1,127,733	638,490
Current tax liability	11	55,025	8,935
Total current liabilities		1,975,984	769,425
Non-current liabilities			
Outstanding claims liability	18	806,605	145,602
Unearned premium liability	19	35,400	-
Deferred tax liability	11	8,545	10,242
Total non-current liabilities		850,550	155,844
Total liabilities		**2,826,534**	**925,269**
Net assets		**(1,888,010)**	**(392,126)**
HEAD OFFICE ACCOUNT			
Head office account		(462,563)	(30,982)
Retained earnings		(1,425,447)	(361,144)
Total head office account		**(1,888,010)**	**(392,126)**

The above statement of financial position should be read in conjunction with the accompanying notes.

CHUBB INSURANCE COMPANY OF AUSTRALIA LIMITED
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STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Head Office current account	Retained earnings	Total
	$	$	$
At 14 April 2014	-	-	-
Contributions to/from head office	(30,982)	-	(30,982)
Net loss for the period	-	(361,144)	(361,144)
At 31 December 2014	(30,982)	(361,144)	(392,126)
Contributions to/from head office	(431,581)	-	(431,581)
Net loss for the period	-	(1,064,303)	(1,064,303)
At 31 December 2015	**(462,563)**	**(1,425,447)**	**(1,888,010)**

The above statement of changes in head office account should be read in conjunction with the accompanying notes.

CHUBB INSURANCE COMPANY OF AUSTRALIA LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Premiums received		2,013,017	392,202
Outwards reinsurance paid		(207,927)	(28,023)
Other underwriting receipts		13,476	4,004
Claims paid		(607,226)	-
Underwriting expense payments		(27,173)	-
Net cash flows from underwriting activities		1,184,167	368,183
Payments to suppliers and employees		(613,065)	(337,201)
GST paid		(130,586)	-
Income tax paid		(8,935)	-
Net cash flows from other operating activities		(752.586)	(337,201)
Net cash flows from operating activities	12	**431,581**	**30,982**
Investing			
Cash flows from other investing activities			
Net cash flows from other investing activities		-	-
Cash flows from financing activities			
Transfers to head office		(431,581)	(30,982)
Net cash flows from financing activities		**(431,581)**	**(30,892)**
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period	12	-	-

The above statement of cash flows should be read in conjunction with the accompanying notes.

Note 1 CORPORATE INFORMATION

The financial report of Chubb Insurance Company of Australia Limited New Zealand Branch for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 30 March 2016.

Chubb Insurance Company of Australia Limited is a for profit company incorporated in Australia. The New Zealand Branch was registered with the New Zealand Companies Office on 14 April 2014. The Company was granted a licence on 29 May 2014 with the Reserve Bank of New Zealand which has enabled it to write insurance business in New Zealand.

The nature of the operations and principal activities of the Branch are outlined in the Directors' Report. Information on related party relationships is provided in Note 25.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This financial report has been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). For the purposes of complying with NZ GAAP the entity is a for-profit entity.

The financial report is prepared on the historical cost basis, with the exception of outstanding claims and reinsurance and other recoveries which are stated at fair value.

This financial report is presented in New Zealand dollars.

Chubb Insurance Company of Australia Limited New Zealand Branch is a branch of Chubb Insurance Company of Australia Limited and is a separate reporting entity under the Financial Markets Conduct Act 2013. The Branch and Head Office are one legal entity, and the assets of the Company are available for the settlement of all liabilities of the Company, including those of the New Zealand branch. The financial strength of the Company has been disclosed at Note 20 (Capital adequacy). Therefore the financial statements of the Branch should be read in conjunction with those of the Company, which incorporates the Branch's financial statements. Based on this the directors are satisfied that the going concern assumption adopted for the Branch is appropriate.

The prior year comparative information covers the period 14 April 2015 to 31 December 2015, that is from date of registration with the New Zealand Companies Office to balance date. As a result the amounts presented in the financial statements are not entirely comparable.

a) Statement of compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand Equivalents to International Financial Reporting Standards, and other applicable financial reporting standards. They comply with International Financial Reporting Standards (IFRS).

b) Changes in accounting policy, accounting standards and interpretations

i) Changes in accounting policy, accounting standards and interpretations
The accounting policies adopted are consistent with those of the previous year with the exception of the following new and amended New Zealand Accounting Standards and Interpretations as of 1 January 2015:

Title of standard	Application date
"Amendments to NZ IFRS's arising from the Annual Improvements Project (2011-2013)" covers changes to a number of accounting standards, the most relevant to the Branch being: NZ IFRS 13: Clarifies that the scope of the portfolio exception defined in paragraph 52 of NZ IFRS 13 includes all contracts accounted for within the scope of NZ IAS 39 or NZ IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in NZ IAS 32	1 January 2015
"Amendments to Accounting Standards: Omnibus Amendments (Legislative Update)". NZ IFRS 7: Amends the definition of 'deposit taker' in Appendix E. NZ IAS 1: Deletes NZ-specific paragraphs NZ 19.1 and NZ 19.2, which referred to requirements in the Financial Reporting Act 1993 that no longer exist under the new Financial Reporting Act 2013. FRS -42: Replaces a 'prospectus, investment statement' with a ' product disclosure statement, a disclosure document'; replaces 'securities' with 'financial products'; replaces 'issuers' with 'FMC reporting entities'. FRS- 43: Replaces a 'prospectus' with a 'product disclosure statement or a disclosure document'; removes the reference to the Section 209(6)(c) of the Companies Act 1993.	1 January 2015

ii) Accounting Standards and Interpretations issued but not yet effective
New Zealand Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Branch for the reporting period ending 31 December 2015. These are outlined below. With the exception of NZ IFRS 15, these amended standards are not expected to have a material impact on the Branch's financial report.

Title of standard	Application date
"Revenue from Contracts with Customers"- NZ IFRS 15 establishes principles for reporting useful information to users of financial statement about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principal of NZ IFRS 15 is that an entity recognises revenue to depict the transfer of promise goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principal by applying 5 steps. The company is still in the process of evaluating the impact of this new standard.	1 January 2018
NZ IFRS 9 (2014) "Financial Instruments" – This standard, which replaces NZ IAS 39 and previous versions of IFRS 9, brings together the classification and measurement, impairment and hedge accounting phases of the International Accounting Standards Board's project.	1 January 2018
"2014 Omnibus Amendments to NZ IFRS" covers changes to a number of accounting standards, the most relevant to the Branch being: NZ IFRS1: Clarifies the application of paragraph 4A of NZ IFRS 1. FRS-44: Requires an entity to disclose the statutory basis or other reporting framework, if any, under which the financial statements have been prepared. NZ IFRS 7: Replaces the term 'deposit takers' with the term 'NBDTs" replaces the term 'financial institution' with 'NBDT'	1 January 2016

Title of standard	Application date
"Amendments to For-Profit Accounting Standards as a Consequence of XRB A1 and Other Amendments" covers changes to a number of accounting standards, the most relevant to the Branch being: NZ IFRS 1: Amendments more closely align the terminology with IFRS 1 *First-time adoption of international Financial Reporting Standards*; clarify the application of the Standard for an entity whose financial statements for its most recent previous reporting period contained an explicit and unreserved statement of compliance with IFRSs or NZ IFRS; amend the definition of New Zealand equivalents to international Financial Reporting Standards (NZ IFRS) to include domestic Financial Reporting Standards. NZ IFRS 9 (2014): IASB editorial amendments are made to NZ IFRS 9 (2014). NZ IAS 1: Amends the definition of NZ IFRS to be the same as the amended definition of NZ IFRS in NZ IFRS 1. FRS-43: Requires an entity to display with accounting requirements the financial statements have been prepared under. FRS-44: Clarifies the statement of compliance with NZ IAS 34 to be made by Tier 1 entities.	1 January 2016
NZ IAS 1 "Disclosure Initiative"- The amendments clarifies existing NZ IAS 1 requirements that relate to materiality, order of the notes, subtotals, accounting policies and disaggregation.	1 January 2016

c) Foreign currency translation

i) *Functional and presentation currency*

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

ii) *Transactions and balances*

Transactions in foreign currencies are initially recorded in New Zealand currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at reporting date. All exchange differences are taken to the statement of profit or loss and other comprehensive income.

d) Premium revenue

Premium revenue comprises premiums from direct business.

Premium revenue includes amounts charged to the policyholders, excluding fire service levies, GST and other amounts collected on behalf of third parties.

Premium revenue, including that on unclosed business, is recognised in the statement of profit or loss and other comprehensive income when it has been earned. Premium revenue is recognised in the statement of profit or loss and other comprehensive income from the attachment date evenly over the period of the contract. Where time does not approximate the pattern of risk, previous claims experience of the Company is used to derive the incidence of risk.

The proportion of premium received or receivable not earned in the statement of profit or loss and other comprehensive income at the reporting date is recognised in the statement of financial position as an unearned premium liability. The portion of this liability which relates to premium which will be earned within the next twelve months is disclosed as a current liability.

Premiums on unclosed business are brought to account using estimates based on the previous year's actual unclosed business with due allowance for any charges in the pattern of new business and renewals.

e) Unexpired risk liability

The adequacy of the unearned premium liability in respect of each class of business is assessed by considering current estimates of all expected future cash flows relating to future claims covered by current insurance contracts.

If the present value of the expected future cash flows relating to future claims plus an additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less the related deferred acquisition costs, future reinsurance premium and prepaid reinsurance expense, then the unearned premium liability is deemed to be deficient.

The entire deficiency for a class of business is recognised immediately in the statement of profit or loss and other comprehensive income. The deficiency is recognised first by writing down any related deferred acquisition costs, with any excess being recorded in the statement of financial position as an unexpired risk liability.

f) Outwards reinsurance

Amounts paid to reinsurers under reinsurance contracts held by the Company, covering risks in the Branch, are recorded as an outwards reinsurance expense and recognised in the statement of profit or loss and other comprehensive income from the attachment date over the period of indemnity of the reinsurance contracts in accordance with the expected pattern of the incidence of risk ceded.

g) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Branch, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

The expected future payments are discounted to present value using the risk free rate.

A risk margin is applied to the outstanding claims liability and reinsurance and other recoveries, to reflect the inherent uncertainty of the central estimate. This risk margin increases the probability that the net liability is adequately provided for to a 75% confidence level.

The portion of the outstanding claims provision relating to claims which are expected to be settled within the next twelve months is disclosed as a current liability.

h) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, IBNR, IBNER and unexpired risk liabilities are recognised as revenue.

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

The portion of recoveries receivable which is expected to be settled within the next twelve months is disclosed as a current asset.

i) Acquisition costs

Acquisition costs incurred in obtaining general insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the statement of profit or loss and other comprehensive income in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

j) Cash

The Branch does not maintain a separate bank account, with all receipts and payments being processed through the operating bank account of the Company. These cash inflows and outflows are reflected in the head office account.

k) Assets backing general insurance liabilities

As part of its investment strategy, the Company monitors the maturity dates of its investment portfolio in comparison with the expected pattern of future cash flows arising from general insurance liabilities. This is monitored on a Company basis, inclusive of the Branch, with all investments being held within the Company.

i) Derecognition of financial assets and financial liabilities

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Branch has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Branch has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Branch's continuing involvement in the asset *ii) Receivables*

Amounts due from policyholders are initially recognised at fair value, being the amounts due. They are subsequently measured at the fair value which is approximated by taking the initially recognised amount and reducing it for impairment as appropriate.

Premiums are due for payment 60-150 days following inception of the insurance policy. Receivables from related parties are generally due and payable on a quarterly basis.

A provision for impairment of receivables is established where there is objective evidence that the Branch will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of expected future cash flows. The discount is calculated using the risk free rate. The impairment charge is recognised in the statement of profit or loss and other comprehensive income.

l) Fire service levy and other charges

A liability for fire service levy and other charges is recognised on business written to the reporting date.

m) Income tax

The Branch is a non-resident for New Zealand tax purposes. As such it is subject to income tax on 10% of the gross premiums treated as having a source in New Zealand. This is recorded as income tax expense.

Current tax liabilities are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted by the reporting date.

n) Other taxes

Revenues and expenses are recognised net of the amount of GST, except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the expense.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

o) Impairment of assets

The Branch assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Branch makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

p) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Branch prior to the end of the financial year that are unpaid and arise when the Branch becomes obliged to make future payments in respect of the purchase of these goods and services.

Trade payables are normally settled between 7 days and 120 days. Payables to related parties are generally due and payable on a quarterly basis.

Note 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

(a) The ultimate liability arising from claims made under insurance contracts

Provision is made at the end of the year for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported to the Branch.

The estimated cost of claims includes direct expenses to be incurred in settling claims. The Branch takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Branch, where more information about the claim event is generally available. IBNR claims may often not be apparent to the insured until many years after the events giving rise to the claims have happened. Liability and other long tail classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. Claims in respect of property and other short tail classes are typically reported soon after the claim event, and hence tend to display lower levels of volatility. The estimation techniques and assumptions used in determining the outstanding claims provision and the associated reinsurance and other recoveries are described below.

Due to the small number of New Zealand branch policies there was no credible volume of New Zealand claim data to analyse, so techniques and assumptions were based on analysis conducted for the Company in total. This analysis is described further below.

i) Valuation approach

The general approach to actuarial estimation of outstanding claims is to analyse all available past experience with respect to numbers of reported and finalised claims, claim payments and changes in any case estimates. This allows patterns to be identified in past experience. Based on this, development patterns associated with the run-off of outstanding claims at the current reporting date can be estimated.

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- Changes in patterns in claim incidence, reporting, finalisation and payment
- Changes in policy coverage and conditions
- Changes in the legal environment
- Impact of inflation
- Impact of large losses
- Medical and technological developments
- Claim management procedures, and
- Changes in the mix of business.

The methods used to analyse past claim experience and to project future claim experience are largely determined by the available data and the nature of the portfolio.

The outstanding claims liability comprises the central estimate and a risk margin which is added to the central estimate to achieve a desired probability of adequacy.

ii) Central estimates

The central estimate represents the best estimate of the present value of expected future net claims cost, including allowance for claims incurred but not reported (IBNR) and the development of reported claims (incurred but not enough reported, or IBNER). The central estimate represents the best estimate of the mean of the distribution of possible outcomes for the outstanding claim liabilities and hence contains no deliberate bias towards over or under estimation.

Central estimates for each class of business are determined by reference to a variety of estimation techniques, generally based on a statistical analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected central estimates are based on a judgmental consideration of the results of each method and qualitative information, including the factors referred to above. Projections are based on both historical experience and external benchmarks where relevant. Central estimates are first calculated gross of any reinsurance and other recoveries. Then a separate estimate is made of the amount recoverable from reinsurers based on the gross outstanding claims provision.

The outstanding claim provision is discounted at risk free rates of return to reflect the time value of money. An allowance for future claim handling expenses is also incorporated in the central estimate of outstanding claims.

iii) Risk margins

As it is impossible to predict future claims outcomes with certainty, a value judgement has to be made as to the level of reserves that offers a reasonable assurance of adequacy. Setting this level is the responsibility of the Directors of the Company. It is usual for the Directors to require a higher probability of adequacy than the central estimate provides. APRA's Prudential Standard GPS 320 requires at least a 75% probability of sufficiency. The additional probability of adequacy is provided by the addition of a risk margin.

The determination of the appropriate level of risk margin takes into account the uncertainty or variability of each class of business and the diversification benefits achieved by writing a number of classes of business. The setting of a risk margin involves subjective assessment. The risk margin should take into account at least the following factors.

- The variability of claims experience of the portfolio
- The extent of reinsurance
- The quality and quantity of historical data
- The risk appetite of the Company Directors
- Any statutory or regulatory requirements
- Consistency between different years of account

The measurement of variability by class of business has been based on a blend of industry benchmarks and the analysis of the Company's own claims experience. The relevant variability statistics are referred to as the standard deviation or the coefficient of variation.

The risk margin required to provide a given probability of adequacy for two or more classes of business is likely to be less than the sum of the risk margins for the individual classes. This reflects the benefits of diversification in general insurance. The statistical measure used to determine diversification is called the correlation or covariance. The higher the correlation between two classes of business, the more likely it is that a negative outcome in one class will correspond to a negative outcome in the other class.

Whilst there are estimation techniques for determining correlations, they are difficult to apply and the results from the analysis are often difficult to interpret. The correlations adopted by the Company in assessing the adequacy of the risk margins are normally derived from industry analysis and benchmarks, the Company's historical experience and the Company's Appointed Actuary.

The allowance for diversification benefits is very subjective. The research presented by various industry analyses is strongly dependent on a number of subjective assumptions regarding the correlation of estimates of liabilities between classes of business and between outstanding claim liabilities and premium liabilities.

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Branch may not receive amounts due to it and these amounts can be reliably measured.

Note 4 ACTUARIAL ASSUMPTIONS AND METHODS - OUTSTANDING CLAIMS

Steven Faulkes, FIAA, of Chubb Insurance Company of Australia Limited is the Appointed Actuary for the Company and Branch.

The Appointed Actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability, and there were no qualifications contained in the actuarial advice. The key assumptions used in the determination of the reserves are outlined below.

a) Outstanding claim valuation methodology

The outstanding claim valuation methodology adopted relies upon four different methods of analysis and projection of the claims experience. The methods of analysis performed are:

- Reported Loss Development Method (RLD)
- Paid Loss Development Method (PLD)
- Reported Bornhuetter Ferguson Method (RBF)
- Paid Bornhuetter Ferguson Method (PBF)

The RBF method has been given complete weight over the other methods but the final selection can be subject to further judgements. This method gradually blends an assumed loss ratio applied to earned premium with the portfolio's reported claims experience to arrive at an estimate of the outstanding claims liability.

Large claims

Large claims occur infrequently, but by definition, have a large impact when they do occur. Because they occur infrequently, assessment of an appropriate provision to hold to protect against them does not lend itself to extensive statistical analysis.

For the purpose of analysis, large claims are generally retained in the main body of data, except where the existence of a large claim distorts the valuation model. Due to the nature of the Branch's business, the occurrence or non-occurrence of a small number of large claims can have a significant impact on whether the estimates of the outstanding claim liability and recommended provisions ultimately prove to be inadequate or sufficient.

The allowance for large claims is provided for in the selection of loss ratio assumptions for the RBF method plus further adjustments where required.

b) Assumptions

i) Economic inflation

To project future claim payments, allowance must be made, either implicitly or explicitly, for future claim inflation. For the purpose of the analysis, past claim payments and case estimates have not been explicitly inflated to current (31 December 2015) values. The valuation methods used implicitly allow for economic inflation. It is implicitly assumed that future economic inflation will be at the average level experienced in the past.

ii) Superimposed / judicial inflation

Superimposed inflation is that component of claims inflation which is over and above economic inflation. For example, it may be caused by changes in legislation or judicial attitudes to the size of liability awards.

The valuation methods used in the determination of outstanding claims implicitly allow for superimposed inflation. It is implicitly assumed that future superimposed inflation will be at the average level experienced in the past.

iii) Discounting

The projected inflated claim payments are then discounted for future investment income. The rationale for this is that the provision for outstanding claims is able to earn investment income. The future investment earnings assumptions are estimates of the future annual risk free rates of return. They have been derived from the yield curve on Australian Government Bonds as at 31 December 2015 as provided by the Reserve Bank of Australia. The following average discount rates were used in measuring the liability for outstanding claims.

Claims expected to be paid:	**2015**	**2014**
Not later than one year:		
Discount rate	2.0%	2.3%
Later than one year:		
Discount rate	2.4%	2.3%

iv) Weighted average term to settlement

The assumed weighted average term to settlement of the Branch net outstanding claim liabilities at the reporting date is 2.2 years (2014: 3.1 years).

v) Allowance for claims handling expenses

The provisions adopted by the Branch include allowance for claim handling expenses. An analysis of claim handling expenses, both past and forecast, by class of business has been performed at a Company level. The adopted claim handling expense assumption of the Company was 6.0% of gross outstanding claims as at December 2015.

Sensitivity analysis – insurance contracts

i) Summary

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

Variable	**Impact of movement in variable**
Assumptions underlying the central estimate	The central estimate is based on the RBF method, however there are uncertainties in the selection of assumptions for use in this method. An increase or decrease in one or more of the key assumptions would have a corresponding decrease or increase in the central estimate.
Average weighted term to settlement	A decrease in the average term to settlement rates would lead to more claims being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims liability. An increase or decrease in the average weighted term would have a corresponding decrease or increase on claims expense.
Claim handling expense rate	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate would have a corresponding decrease or increase on claims expense.

ii) Impact of changes in key variables

2015

Variable	Movement in variable	Net outstanding claims liabilities Increase/(decrease) $	Profit before tax Increase/(decrease) $	Equity Increase/(decrease) $
Assumptions underlying the central estimate	+ 5.0%	61,589	(61,589)	(61,589)
	- 5.0%	(61,589)	61,589	61,589
Average weighted term to settlement	+ 0.5 years	(13,739)	13,739	13,739
	- 0.5 years	13,894	(13,894)	(13,894)
Discount rate	+ 1.0%	(25,756)	25,756	25,756
	- 1.0%	27,142	(27,142)	(27,142)
Claim handling expense ratio	+ 1.0%	11,033	(11,033)	(11,033)
	- 1.0%	(11,033)	11,033	11,033

2014

Variable	Movement in variable	Net outstanding claims liabilities Increase/(decrease) $	Profit before tax Increase/(decrease) $	Equity Increase/(decrease) $
Assumptions underlying the central estimate	+ 5.0%	7,775	(7,775)	(7,775)
	- 5.0%	(7,775)	7,775	7,775
Average weighted term to settlement	+ 0.5 years	(1,783)	1,783	1,783
	- 0.5 years	1,803	(1,803)	(1,803)
Discount rate	+ 1.0%	(4,543)	4,543	4,543
	- 1.0%	4,801	(4,801)	(4,801)
Claim handling expense ratio	+ 1.0%	1,415	(1,415)	(1,415)
	- 1.0%	(1,415)	1,415	1,415

Note 5 INSURANCE CONTRACTS – RISK MANAGEMENT POLICIES AND PROCEDURES

The financial condition and operation of the Branch are affected by a number of key risks including insurance risk, currency risk, credit risk, market risk, financial risk, compliance risk, fiscal risk and operational risk. The risk management framework adopted by the Company is also applied in the Branch. Notes on the Branch's policies and procedures in respect of managing these risks are set out below.

(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Branch has an objective to control insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values. Short-term variability is, to some extent, a feature of insurance business.

In accordance with Prudential Standards GPS 220 *Risk Management for General Insurers* and GPS 230 *Reinsurance Management for General Insurers* issued by the Australian Prudential Regulation Authority (APRA), the Board and senior management of the Company have developed, implemented and maintained a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and REMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Branch. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the Company's compliance with the RMS and REMS.

The RMS and REMS have been approved by the Board and submitted to APRA. Key aspects of the processes established in the RMS to mitigate risks include:

- The maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Actuarial models, using information from the management information systems, are used to analyse premiums and monitor claims patterns. Past experience and statistical methods are used as part of the process.
- Documented procedures are followed for underwriting and accepting insurance risks.
- Natural disasters such as bushfires are generally managed through a Company policy which involves the avoidance of providing coverage to areas identified as a high risk in relation to such disasters.
- Reinsurance is used to limit the Company's exposure to large single claims and catastrophes. When selecting a reinsurer only those companies that provide high security are considered. In order to assess this, rating information from the public domain or gathered through internal investigations is used.
- In order to limit concentrations of credit risk in purchasing reinsurance, the Company has regard to existing reinsurance assets and seeks to limit excess exposure to any single reinsurer or group of related reinsurers.
- The mix of assets in which the Company invests is driven by the nature and term of the insurance liabilities. The Company monitors the maturity dates of assets compared to the expected pattern of claim payments, and the impact of any mismatch on the results of the Company.
- The diversification of business over four strategic business units and large numbers of uncorrelated individual risks seeks to reduce variability in loss experience.

(b) Terms and conditions of insurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Branch. The majority of direct insurance contracts written are entered into on a standard form basis.

(c) Concentration of insurance risk

The Company's and Branch's exposure to concentrations of insurance risk is mitigated by a portfolio diversified into four strategic business units. Specific processes for monitoring identified key concentrations are set out below.

Risk	Source of concentration	Risk management measures
Natural catastrophes	Properties concentrated in regions that are subject to: • Earthquakes • Windstorm • Flood	The Branch's underwriting strategy requires individual risk premiums to be differentiated in order to reflect the higher loss frequency in particular geographical areas. The Company has modelled Australian aggregated earthquake and windstorm risk by postcode using commercially available catastrophe models. The Company's exposure data across the Australian portfolio encompasses all property risks. The New Zealand branch written policies have limited exposure to natural catastrophes at December 2015. Based on the probable maximum loss per the models, the Company ensures that adequate catastrophe reinsurance cover is put in place to limit exposure to any single event.

(d) Development of claims

There is a possibility that changes may occur in the estimate of obligations at the end of a contract period. The tables in note 18 show estimates of total claims outstanding for the only underwriting year.

(e) Credit risk

The company's exposure to credit risk is set out in note 6.

Note 6 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Branch's principal financial instruments comprise premiums receivable, reinsurance recoveries on paid claims, sundry debtors, trade creditors, other creditors and amounts payable to related entities.

The Branch manages its exposure to key financial risks, including currency risk in accordance with the Company's Risk Management Strategy. The objective of the strategy is to support the delivery of the Company's financial targets whilst protecting future financial security.

The main risks arising from the Branch's financial instruments are foreign currency risk and credit risk. The Branch uses different methods to measure and manage different types of risk to which it is exposed. Ageing analyses and credit approval controls are undertaken to manage credit risk.

The Board reviews and agrees the policies for managing each of these risks as outlined in the Company's Risk Management Strategy as summarised below.

a) Risk exposures and responses

i) Foreign currency risk

The Branch's main exposures to foreign currency risk is in relation to premiums receivable, amounts payable to related parties and payables. These transactions are not hedged.

At reporting date, the Branch has the following financial assets and liabilities exposed to movements in foreign currency rates that are not designated as cash flow hedges.

	2015 $NZ	2014 $NZ
Premiums receivable:		
Australian dollars	112,810	160,461
	112,810	160,461
Amounts payable to related parties:		
Australian dollars	49,041	36,466
United States dollars	35,765	-
	84,806	36,466
Payables:		
Australian dollars	122,400	47,873
United States dollars	12,931	-
	135,331	47,873

The Branch's primary foreign currency exposure is to AUD. The company maintains an AUD bank account which reduces the company's exposure to overall foreign currency risk. Exposures in USD are settled on a quarterly basis to reduce the impact from movements in exchange rate.

The following sensitivity analysis is based on foreign currency risk exposures in existence at year end. At year end, had the New Zealand dollar moved, as illustrated in the table below, with all other variables held constant, loss before tax and the Head Office Account would have been affected as follows:

Judgements of reasonably possible movements:	Loss before tax higher/(lower)		Head office account higher/(lower)	
	2015	2014	2015	2014
	$NZ	$NZ	$NZ	$NZ
NZD/AUD + 10%	5,863	(7,612)	5,863	(7,612)
NZD/AUD - 10%	(5,863)	7,612	(5,863)	7,612
NZD/USD + 10%	4,870	-	4,870	-
NZD/USD - 10%	(4,870)	-	(4,870)	-

A sensitivity of 10% is considered reasonable with reference to the actual movement in exchange rates over the last 3 years.

ii) Credit risk

Credit risk arises from the financial assets of the Branch, which comprise premiums receivable, reinsurance recoveries on paid and outstanding claims and sundry debtors. The Branch's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Branch minimises credit risk in relation to premiums receivable by incorporating a credit approval process for Broker appointments and including a credit risk assessment of insureds in its underwriting guidelines. Similarly, reinsurance recoveries on paid and outstanding claims are controlled through the majority of reinsurance arrangements being placed with the parent company, along with the requirement that reinsurance be placed with reinsurers on a parent approved list of authorised companies. Receivable balances are monitored on an ongoing basis with the result that the Branch's exposure to bad debts is not significant. There is no significant concentration of risk with the exception of reinsurance recoveries due from related parties, principally Federal Insurance Company.

		2015 $	2014 $
Note 7	**PREMIUM REVENUE**		
	Direct	1,918,400	334,748
Note 8	**CLAIMS EXPENSE**		
	Direct	1,802,643	179,259
Note 9	**REINSURANCE AND OTHER RECOVERIES REVENUE**		
	Reinsurance recoveries	101,972	22,001
	Other recoveries	17,164	1,755
		119,136	23,756
Note 10	**OTHER UNDERWRITING EXPENSES**		
	Acquisition costs	613,847	224,666
	Write down of deferred acquisition costs for premium deficiency	147,143	82,273
	Administration expenses	215,273	159,543
		976,263	466,482
Note 11	**INCOME TAX**		
	Income tax expense comprises:		
	a) Statement of profit or loss and other comprehensive income		
	Current income tax		
	Current income tax charge	53,328	19,177
	Income tax expense reported in the statement of profit or loss and other comprehensive income	53,328	19,177
	Tax expense has been calculated as follows:		
	Gross written premium subject to non-resident tax	1,904,566	684,888
	10% premiums subject to tax	190,457	68,489
	Tax at the standard rate of 28%	53,328	19,177
	Income tax expense reported in the statement of profit or loss and other comprehensive income	53,328	19,177
	b) Current tax payable		
	Opening balance	8,935	-
	Charged to income	55,025	8,935
	Payments	(8,935)	-
	Closing balance	55,025	8,935
	c) Deferred tax liability		
	Opening balance	10,242	-
	Charged to income	(1,697)	10,242
	Closing balance	8,545	10,242

Note 12 CASH AND CASH EQUIVALENTS

	2015 $	2014 $
Cash at bank	-	-
	-	-

Reconciliation of comprehensive loss after tax to net cash flows from operating activities

	2015 $	2014 $
Comprehensive loss, net of tax	(1,064,303)	(361,144)
Changes in assets and liabilities		
Increase in receivables	(266,267)	(414,630)
Increase in deferred acquisition costs	(80,529)	(91,582)
Increase in prepaid reinsurance premiums	(58,585)	(26,931)
Increase in payables	136,812	88,343
Increase in unearned premium reserve	524,643	638,490
Increase in outstanding claims liability	1,195,417	179,259
Increase in current tax liabilities	46,090	8,935
(Decrease)/increase in deferred tax liabilities	(1,697)	10,242
Net cash flows from operating activities	431,581	30,982

	2015 $	2014 $
Note 13 RECEIVABLES INCLUDING INSURANCE RECEIVABLES		
Premiums receivable	528,312	389,230
Sundry debtors	9,693	1,644
	538,005	390,874
Sundry debtors comprises:		
- other	9,693	1,644
	9,693	1,644

a) Allowance for impairment loss

Premiums receivable are non-interest bearing and are generally on 60-150 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual premium receivable is impaired. An impairment loss written off of $nil has been recognised in the current year.

At 31 December, the ageing analysis of premiums receivable (gross of provision for impairment loss) is as follows:

	Total	0-90 days	91-120 days	+ 121 days past effective date not impaired	+ 121 days considered impaired
	$	$	$	$	$
2015	528,312	386,130	68,264	73,918	-
2014	389,230	321,745	28,648	38,837	-

Receivables past due but not considered impaired are being actively followed up with the relevant brokers and agents and the Branch is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

b) Related party receivables

For terms and conditions of related party receivables refer to note 25.

c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Further discussion on credit risk is included in note 6.

d) Foreign exchange and interest rate risk

The Company does not charge interest on receivables. The impact of foreign exchange risk is outlined in note 6.

Note 14 REINSURANCE AND OTHER RECOVERIES RECEIVABLE

	2015 $	2014 $
Expected future reinsurance recoveries and other recoveries undiscounted		
- on paid claims	-	-
- on outstanding claims	153,326	25,866
	153,326	25,866
Discount to present value	(10,434)	(2,110)
	142,892	23,756
Current	31,047	2,549
Non-current	111,845	21,207
	142,892	23,756
Reinsurance and other recoveries receivable comprises:		
- parent	123,973	21,706
- other	18,919	2,050
	142,892	23,756

Note 15 PREPAID REINSURANCE PREMIUMS

	2015 $	2014 $
Prepaid reinsurance premium asset as at the start of the period	26,931	-
Deferral of reinsurance premiums on contracts entered into during the period	85,516	26,931
Earning of reinsurance premiums on contracts entered into in previous periods	(26,931)	-
Prepaid reinsurance premium asset as at the end of the period	85,516	26,931
Current	77,231	26,931
Non-current	8,285	-
	85,516	26,931

		2015 $	2014 $
Note 16	**DEFERRED ACQUISITION COSTS**		
	Deferred acquisition costs as at the start of the period	91,582	-
	Acquisition costs deferred	841,519	398,521
	Amortisation charged to income	(613,847)	(224,666)
	Write down for premium deficiency	(147,143)	(82,273)
	Deferred acquisition costs as at the end of the period	172,111	91,582

An analysis of the adequacy of the unearned premium as at 31 December 2015 indicated that the unearned premium liability was deficient and as a result deferred acquisition costs were written down. This has been determined as follows:

	2015 $	2014 $
Gross central estimate of the present value of expected future cash flows	662,647	388,720
Reinsurance central estimate of the present value of expected future cash flows	(101,636)	(60,080)
Net central estimate of the present value of expected future cash flows	561,011	328,640
Claims and policy expenses	78,044	44,251
Risk margin – 19.1% (2014: 18.5%)	121,748	69,025
Present value of expected future cash flows for future claims	760,803	441,916
Future reinsurance premium	144,703	78,008
Net present value of expected future cash flows for future claims	905,506	519,924
Unearned premium reserve	1,163,133	638,490
Prepaid reinsurance premiums	(85,516)	(26,931)
Net unearned premium reserve	1,077,617	611,559
Deferred acquisition costs	(319,254)	(173,855)
	758,363	437,704
Surplus/(deficit)	(147,143)	(82,220)
Write down of deferred acquisition costs due to deficiency in 4 (2014: 4) classes of business	147,143	82,273

		2015 $	2014 $
Note 17	**PAYABLES**		
	Trade payables	56,109	13,794
	Amounts payable to related companies	78,070	36,466
	Other creditors	72,984	38,083
	GST	17,992	-
		225,155	88,343
	Amounts payable to related companies comprises:		
	- parent	78,070	36,466
		78,070	36,466
	Current	225,155	88,343
		225,155	88,343

	2015	2014
	$	$

Note 18 OUTSTANDING CLAIMS LIABILITY

(a) Outstanding claims liability

	2015 $	2014 $
Undiscounted central estimate	1,180,491	154,041
Discount to present value	(60,013)	(10,979)
Discounted central estimate	1,120,478	143,062
Risk margin	188,003	27,708
Claims handling costs	66,195	8,489
Gross outstanding claims liability	1,374,676	179,259
Current	568,071	33,657
Non-current	806,605	145,602
	1,374,676	179,259

(b) Risk margins

	2015	2014
Short tail classes	8.5%	8.4%
Long tail classes	19.0%	18.6%
Overall	15.8%	18.3%

(c) Claims development tables

The following tables show the development of gross, net of non-reinsurance recoveries and excluding claims handling costs, and net discounted central estimate of outstanding claims relative to the ultimate expected claims for the only accident years.

i) ***Gross ($)***

Accident Year	**2014**	**2015**	**Total**
Estimate of ultimate claims cost:			
At end of accident year	148,511	742,755	
One year later	116,974		
Current estimate of ultimate claims cost	**116,974**	**742,755**	**859,729**
Cumulative payments	(8,712)	(20,435)	(29,147)
Outstanding claims - undiscounted	**108,262**	**722,320**	**830,582**
Discount	(6,953)	(48,147)	(55,100)
Outstanding claims	**101,309**	**674,173**	**775,482**
Short tail outstanding claims			327,778
Total gross outstanding claims central estimate			**1,103,260**

ii) ***Net ($)***

Accident Year	**2014**	**2015**	**Total**
Estimate of ultimate claims cost:			
At end of accident year	128,622	653,882	
One year later	99,857		
Current estimate of ultimate claims cost	**99,857**	**653,882**	**753,739**
Cumulative payments	(8,712)	(20,435)	(29,147)
Outstanding claims - undiscounted	**91,145**	**633,447**	**724,592**
Discount	(5,770)	(41,107)	(46,877)
Outstanding claims	**85,375**	**592,340**	**677,715**
Short tail outstanding claims			321,233
Total net outstanding claims central estimate			**998,948**

Note 19 UNEARNED PREMIUM LIABILITY

	2015 $	**2014 $**
Unearned premium liability as at the start of the period	638,490	-
Deferral of premiums on contracts written in the period	1,163,133	638,490
Earning of premiums written in previous periods	(638,490)	-
Unearned premium liability as at the end of the period	1,163,133	638,490
Current	1,127,733	638,490
Non-current	35,400	-
	1,163,133	638,490

Note 20 HEAD OFFICE ACCOUNT

Capital management

The Company manages capital at an entity level. The primary objectives of the Company's Internal Capital Adequacy Assessment Process are to provide an appropriate level of capital to protect policyholders' interests and satisfy the regulators, while maximising value to shareholders.

The capital of the Branch comprises the Head Office account, which consists of retained earnings and current account transactions between the Branch and Head Office. The current account transactions include premium collections, reinsurance, tax settlements, head office charges and other expenses.

Note 21 CAPITAL ADEQUACY

The Branch has a section 59 exemption under the Insurance (Prudential Supervision) Act 2010. Subject to certain conditions, this exempts it from compliance with the Solvency Standard for Non-life Business on the basis that the Company is required to comply with the standards and requirements in Australia.

In Australia, the Company is subject to the capital requirements stipulated by the Australian Prudential Regulation Authority (APRA) and has at all times during the year complied with these requirements. The capital adequacy multiple of the Company at reporting date is as follows:

	2015 $A'000	2014 $A'000
Capital base	547,872	574,119
Prescribed capital amount	230,442	226,239
Capital in excess of prescribed capital amount	317,430	347,880
Prescribed capital amount ratio	2.4	2.5

Note 22 NET CLAIMS INCURRED

	2015		
	Current year $	Prior year $	Total $
Gross claims incurred and related expenses - undiscounted	1,863,168	723	1,863,891
Reinsurance and other recoveries - undiscounted	(129,372)	1,913	(127,459)
Net claims incurred – undiscounted	1,733,796	2,636	1,736,432
Discount and discount movement - gross claims incurred	(66,100)	4,852	(61,248)
Discount and discount movement - reinsurance and other recoveries	8,870	(547)	8,323
Net discount movement	(57,230)	4,305	(52,925)
Net claims incurred	1,676,566	6,941	1,683,507

	2014		
	Current year $	Prior year $	Total $
Gross claims incurred and related expenses - undiscounted	193,004	-	193,004
Reinsurance and other recoveries - undiscounted	(25,866)	-	(25,866)
Net claims incurred – undiscounted	167,138	-	167,138
Discount and discount movement - gross claims incurred	(13,745)	-	(13,745)
Discount and discount movement - reinsurance and other recoveries	2,110	-	2,110
Net discount movement	(11,635)	-	(11,635)
Net claims incurred	155,503	-	155,503

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in the previous financial period.

Note 23 FINANCIAL INSTRUMENTS

A maturity analysis of the Branch's financial assets and financial liabilities is as follows:

2015

	Note	Non interest bearing	Total	Rate
		$	$	
Financial assets				
Premiums receivable	13	528,312	528,312	N/A
Reinsurance recoveries receivable on paid claims	14	-	-	N/A
Sundry debtors	13	9,693	9,693	N/A
		538,005	538,005	
Financial liabilities				
Trade payables	17	56,109	56,109	N/A
Amounts payable to related parties	17	78,070	78,070	
Other creditors	17	72,984	72,984	N/A
		207,163	207,163	
Net maturity		**330,842**	**330,842**	

2014

	Note	Non interest bearing	Total	Rate
		$	$	
Financial assets				
Premiums receivable	13	389,230	389,230	N/A
Reinsurance recoveries receivable on paid claims	14	-	-	N/A
Sundry debtors	13	1,644	1,644	N/A
		390,874	390,874	
Financial liabilities				
Trade payables	17	13,794	13,794	N/A
Amounts payable to related parties	17	36,466	36,466	
Other creditors	17	38,083	38,083	N/A
		88,343	88,343	
Net maturity		**302,531**	**302,531**	

Note 24 CAPITAL EXPENDITURE COMMITMENTS

There are no amounts in relation to capital expenditure that have been contracted for at reporting date but not provided for in the financial statements.

Note 25 RELATED PARTY DISCLOSURES

Chubb Insurance Company of Australia Limited New Zealand Branch is part of Chubb Insurance Company of Australia Limited, a company incorporated in Australia. The parent company of Chubb Insurance Company of Australia Limited is Federal Insurance Company, incorporated in the United States of America.

The ultimate controlling company of Chubb Insurance Company of Australia Limited (and controlling company of the wholly owned group) as at 31 December 2015 is Chubb Corporation Inc, incorporated in the United States of America.

The directors of Chubb Insurance Company of Australia Limited during the financial period were:

B.R. Bollom
J. P. Bronner (resigned 15 November 2015)
P.V. D'Souza
M.T. Doquile (appointed 20 July 2015)
A.R. Gourley
R.L. Hick
M.T. Lingafelter (resigned 14 May 2015)
G.M. Seymour

The following significant related party transactions occurred during the financial period:

a) Part of the reinsurance arrangements of the Branch are placed with Federal Insurance Company, a wholly owned controlled entity of Chubb Corporation Inc. The total expense in the statement of profit or loss and other comprehensive income in respect of this was $207,533 (2014: $51,931). At the end of the year the statement of financial position included a payable of $78,070 (2014: $36,466).

b) The Branch has been allocated costs by Chubb Insurance Company of Australia Limited, in respect of services provided and expenses incurred on its behalf. The total expense in the statement of profit or loss and other comprehensive income in respect of this was $745,915 (2014: $375,283). The payable formed part of the Head Office account.

All transactions were under normal commercial terms and conditions and did not attract interest.

The key management personnel of the Branch are the key management personnel of the Company. During the year the Company has paid the following compensation to key management personnel, expressed in AUD. This represents the total compensation paid to the key management personnel in their duties as employees of the Company.

	2015 $A'000	**2014 $A'000**
Short term compensation	3,068	2,605
Other long term compensation	52	29
Share based compensation	(23)	374
	3,097	3,008

		2015 $	2014 $
Note 26	**AUDITORS' REMUNERATION**		
	The auditor of the Branch is Ernst and Young		
	Amounts received or due and receivable by Ernst and Young for:		
	- audit of the financial report of the Branch	22,215	21,590
		22,215	21,590

Note 27 CONTINGENCIES

The Branch has no contingent liabilities as at 31 December 2015.

Note 28 EVENTS AFTER THE REPORTING DATE

The Company is not aware of any events subsequent to year end that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to 31 December 2015 with the exception of the following.

On 1 July 2015, ACE Limited, the ultimate parent of ACE Insurance Limited (AIL), announced that the Boards of Directors of ACE Limited and The Chubb Corporation had unanimously approved a definitive agreement under which ACE would acquire Chubb. Following approval from the shareholders of both companies and receipt of all required regulatory approvals, ACE Limited completed the acquisition of The Chubb Corporation on 15 January 2016, and subsequently changed its name to Chubb Limited.

On 1 April 2016, AIL and Chubb Insurance Company of Australia Ltd (CICA) will operate as direct and wholly-owned subsidiaries under ACE Australia Holdings Pty Limited (AAHPL) following a holding company restructure. Following this restructure, the process will begin for the portfolio transfer of CICA into AIL. The portfolio transfer is expected to be completed before 31 December 2016. AAHPL also changed its name to Chubb Holdings Australia Pty Limited on 3 March 2016. Integration planning commenced immediately following the deal announcement in July 2015 with certain key decisions and announcements, including senior leadership positions in Australia, made prior to the deal close.

Note 29 CREDIT RATING

The Branch is not rated by an external rating agency, however the Company has a to a long-term issuer credit rating of aaa with AM Best effective 02 July 2015. The financial strength rating of A++ (Superior) was also affirmed on that date.

Note 30 REINSURANCE PROGRAMME

The reinsurance programme chosen to protect the Company's liabilities in New Zealand matches the Australian reinsurance strategy. It has the following characteristics:

- A maximum per risk net retention:

Property	NZD equivalent of AUD 10 million
Marine	NZD equivalent to USD 5 million
Casualty and Professional Indemnity (excluding D&O)	NZD equivalent to AUD 10 million
D&O	NZD equivalent to AUD 5 million
Cybersecurity	50% quota share limit liability of USD 20 million

- A maximum per catastrophe event retention of NZD equivalent to USD 10 million

Reinsurance is purchased through a series of treaty and facultative contracts with external reinsurers and Federal Insurance Company, the parent company of Chubb Insurance Company of Australia.

CHUBB INSURANCE COMPANY OF AUSTRALIA LIMITED
NEW ZEALAND BRANCH

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Chubb Insurance Company of Australia Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of Chubb Insurance Company of Australia Limited New Zealand Branch for the financial period ended 31 December 2015 are in accordance with the Financial Markets Conduct Act 2013, including:

  i) Giving a true and fair view of its financial position as at 31 December 2015 and performance for the period ended on that date.

  ii) Complying with New Zealand generally accepted accounting practice.

(b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a).

(c) There are reasonable grounds to believe that the Branch will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A.R Gourley Director	M. Doquile Director

Sydney 30 March 2016

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Building a better working world

Independent Auditor's Report
To the Shareholders of Chubb Insurance Company of Australia Limited

Report on the Financial Statements

We have audited the financial statements of the New Zealand branch of Chubb Insurance Company of Australia Limited on pages 7 to 35, which comprise the statement of financial position of the New Zealand branch of Chubb Insurance Company of Australia Limited as at 31 December 2015, and the statement of profit and loss and other comprehensive income, statement of changes in head office account and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the New Zealand branch of the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible on behalf of the company for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Other than in our capacity as auditor we have no relationship with, or interest in, the New Zealand branch of the company.

Partners and employees of our firm may deal with the New Zealand branch of the company on normal terms within the ordinary course of trading activities of the business of the New Zealand branch of the company.

Opinion

In our opinion, the financial statements on pages 7 to 35 present fairly, in all material respects, the financial position of the New Zealand branch of the company as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Ernst & Young

Ernst & Young
30 March 2016
Sydney