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CIGNA Life Insurance New Zealand Limited

Financial Statements

For the year ended 31 December 2009

CIGNA LIFE INSURANCE NEW ZEALAND LIMITED
Statement of Financial Position
As at 31 December 2009

	Note	2009 $'000	2008 $'000
Assets			
Current assets			
Cash and cash equivalents	11	36,904	36,843
Insurance receivables	12	5,982	7,448
Other receivables	13	2,925	4,585
Current tax receivable	10	54	37
Financial assets at fair value through profit or loss	14	6,441	4,481
Policy loans		543	746
Non-current assets			
Financial assets at fair value through profit or loss	14	63,090	63,365
Property, plant and equipment	15	1,404	1,600
Intangible assets	16	806	712
Total Assets		118,149	119,817
Liabilities			
Current liabilities			
Trade and other payables	17	9,500	9,149
Other liabilities	18	1,118	970
Insurance liabilities	22	9,129	9,450
Non-current liabilities			
Deferred tax liability	19	19,629	17,753
Life insurance contract liabilities	19	(12,799)	(1,384)
Total Liabilities		26,577	35,938
Net Assets		91,572	83,879
Equity			
Contributed equity	21	500	500
Retained earnings	21	91,072	83,379
Total Equity		91,572	83,879

These financial statements were authorised for issue by the signatories below on 17 September 2010:

On behalf of the board

Director B. R. [signature] **Date** 17 September 2010

Director R G Christee **Date** 17 September 2010

The notes on pages 5 to 31 are an integral part of these financial statements.

CIGNA LIFE INSURANCE NEW ZEALAND LIMITED
Statement of Comprehensive Income
For the year ended 31 December 2009

	Note	2009 $'000	2008 $'000
Premium revenue			
Premium revenue from insurance contracts	6	56,722	54,256
Outwards reinsurance expense		(4,108)	(3,033)
Net premium revenue		52,614	51,223
Other revenue			
Investment revenue	7	2,691	10,334
Fee and other revenue		304	631
Net other revenue		2,995	10,965
Payments under policies			
Claims expense	8	(15,923)	(9,412)
Inwards reinsurance revenues		1,440	607
Net claims expense	8	(14,483)	(8,805)
Change in life insurance contract liabilities	19	9,692	399
Other expenses	9	(35,249)	(38,391)
Net claims and operating expenses		(40,040)	(46,797)
Profit before tax		15,569	15,391
Income tax expense	10	(1,876)	(3,568)
Profit after tax		**13,693**	**11,823**
Other comprehensive income		-	-
Total comprehensive income attributable to the members of CIGNA Life Insurance NZ		13,693	11,823

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CIGNA LIFE INSURANCE NEW ZEALAND LIMITED
Statement of Changes in Equity
For the year ended 31 December 2009

		Share capital $'000	Retained Earnings $'000	Total $'000
Opening balance 1 January 2008		**500**	**81,556**	**82,056**
Total comprehensive income 2008 - profit		-	11,823	11,823
Transactions with equity holders in their capacity as equity holders:				
Dividend payment ($20 per share)	21	-	(10,000)	(10,000)
Balance 31 December 2008		**500**	**83,379**	**83,879**
Total comprehensive income 2009 - profit		-	13,693	13,693
Transactions with equity holders in their capacity as equity holders:				
Dividend payment ($12 per share)	21	-	(6,000)	(6,000)
Balance 31 December 2009		**500**	**91,072**	**91,572**

The notes on pages 5 to 31 are an integral part of these financial statements.

CIGNA LIFE INSURANCE NEW ZEALAND LIMITED
Statement of Cash Flows
For the year ended 31 December 2009

	Note	2009 $'000	2008 $'000
Cash flows from operating activities			
Premiums received		56,999	54,546
Reinsurance received		2,629	2,249
Interest received		5,245	6,999
Dividends received		154	163
Fee income		304	631
Claims expenses		(16,244)	(8,174)
Reinsurance paid		(4,768)	(2,331)
Payments to suppliers and employees		(23,187)	(25,648)
Commissions paid		(14,116)	(15,550)
Income taxation (paid) received	10 (b)	(17)	(13)
Net cash inflow from operating activities	28	**6,999**	**12,872**
Cash flows from investing activities			
Inflow from sale of property, plant and equipment		119	37
Outflow from purchase of property, plant and equipment		(243)	(349)
Inflow from sale of intangible assets		-	-
Outflow from purchase of intangible assets		(488)	(957)
Inflow from sale of investments		13,538	12,695
Outflow from purchase of investments		(17,809)	(31,552)
Cash (outflow) inflow from investing activities		**(4,883)**	**(20,126)**
Cash flows from financing activities			
Repayment of loan to related party		1,772	20,340
Investment in (repayment of) related party		103	(2,314)
Dividend payment		(3,930)	(10,000)
Net cash inflow (outflow) from financing activities		**(2,055)**	**8,026**
Net increase in cash and cash equivalents		**61**	**772**
Cash and cash equivalents at beginning of year		36,843	36,071
Cash and cash equivalents at end of year		**36,904**	**36,843**
Cash is represented by:			
Cash at bank and in hand	11	6,156	12,116
Short-term bank deposits	11	30,748	24,727
		36,904	36,843

The notes on pages 5 to 31 are an integral part of these financial statements.

CIGNA Life Insurance New Zealand Limited
Statement of Significant Accounting Policies
For the year ended 31 December 2009

Statement of Compliance

CIGNA Life Insurance New Zealand Limited (the Company) is a profit oriented entity incorporated and domiciled in New Zealand. The Company was incorporated on 13 December 1967. The financial statements cover the 12 month period to 31 December 2009. The Company's principal products and services comprise the selling and administration of life insurance and life investment contracts. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993.

The Company is a limited liability company. The address of its registered office is Level 25, Majestic Centre 100 Willis Street, Wellington, New Zealand.

Basis of preparation
The financial statements are for the Company as a separate legal entity and have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit oriented entities.

The financial statements comply with International Financial Reporting Standards (IFRS).

These financial statements are prepared in accordance with the fair value basis of accounting with certain exceptions as described in the accounting policies below.

Unless otherwise stated, all amounts are rounded to $000's and are expressed in New Zealand currency.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been disclosed in notes 1 and 2.

Significant Accounting Policies
(a) New standards adopted by the Company
The accounting policies adopted are consistent with those of the previous financial year except as follows:
The Company has adopted the following amended New Zealand equivalents to International Financial Reporting Standards and interpretations as of 1 January 2009.

- NZ IFRS 7 Financial Instruments: Disclosures
- NZ IAS 1 Presentation of Financial Statements

The impact is described below:

NZ IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level three fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 14. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 29.

NZ IAS 1 Presentation of Financial Statements (Revised)
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present one consolidated statement.

(b) Policies not yet enacted
The following standards for amendments to and interpretations of existing standards have been published. The Company has not adopted these standards early.

NZ IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply NZ IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

NZ IFRS 9 'Financial instruments'. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by an entity's business model for managing the financial assets and the contractual characteristics of the financial assets. The Company will apply IFRS 9 from 1 January 2013. It is not expected to have a material impact on the Company's financial statements.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risk and returns that are different to those of segment operations in other economic environments. As the Company is not an issuer as defined in section 4 of the Financial Reporting Act 1993, NZ IFRS 8: Operating Segments does not apply and has not been adopted.

(d) Accounting for Life Insurance Business

The life insurance operations of the Company comprise the selling and administration of contracts which are classified as either life insurance contracts or life investment contracts. Contracts that include both investment and insurance elements are separated, where practicable, into these two elements and reported accordingly. Where it is not practicable to separate the two elements the contract will be recognised as a life insurance contract.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefit is either not linked or only partly linked to the market value of the investment held by the Company, and the financial risks are substantially borne by the Company. Any products that do not meet the definition of a life insurance contract are classified as life investment contracts.

Life investment contracts include investment-linked contracts where the benefit amount is directly linked to the market value of the investments held in the particular investment-linked fund. While the underlying assets are registered in the name of the Company and the investment-linked policy owner has no direct access to the specific assets, the contractual arrangements are such that the investment-linked policy owner bears the risks and rewards of the fund's investment performance. The Company derives fee income from the administration of investment-linked policies and funds.

(e) Revenue

Life premium revenue

Premium revenue is earned on life insurance contracts. Premiums with a regular due date are recognised as revenue on a due basis. Premiums with no due date are recognised as revenue on a cash received basis. Deposit components of life insurance contracts are not revenue and are treated as movements in policy holder liabilities. Where it is not practicable to split out the insurance and investment elements of a contract all premiums have been recognised as revenue.

Investment revenue

Dividends and distributions – Revenue is recognised when the right to receive payment is established. Dividends are recorded as income at the date the shares become "ex-dividend".

Interest income – Interest income is recognised on a time proportion basis that takes into account the effective yield on the financial asset.

Fair value gains and losses – Fair value gains and losses on financial assets at fair value through profit or loss are recognised through Investment Revenue in the Statement of Comprehensive Income in the period in which they arise.

Fee and other revenue
Fee revenue on investment contracts and other services provided by the Company is recognised in the period services are provided.

(f) Claims expense
Insurance contracts
Claims incurred relate to life insurance contracts and are treated as expenses. Claims are recognised when the liability to the policyholder under the policy contract has been established, or upon notification of the insured event depending on the type of claim.

Claims in respect of investment account and investment linked business are recognised when the policies concerned cease to participate, in whole or in part, in the earnings of the relevant fund. Where it is not practicable to split out the insurance and investment elements of a contract all claims have been recognised as an expense.

Maturity claims are recognised on the policy maturity date. Surrenders are recognised when paid. Death and all other claims are recognised when the liability to the policyholder under the policy contract has been established.

Provision has been made for the estimated cost of all claims notified but not settled at reporting date. The Company has also made an additional provision for the estimated cost of claims incurred but not reported at balance date (IBNR).

Life investment contracts
There is no claims expense in respect of life investment contracts. Surrenders and withdrawals which relate to life investment contracts are treated as a movement in life investment contract liabilities. Surrenders are recognised when the policyholder formally notifies of their intention to end the policy previously contracted to.

Unrecouped acquisition costs attaching to life investment contracts surrendered are recognised as a reduction in the carrying value of deferred acquisition costs.

(g) Reinsurance
Reinsurance premiums and recoveries are recognised separately as revenue and expenses in the Statement of Comprehensive Income over the period of indemnity of the reinsurance contract. Accordingly, a portion of outwards reinsurance premium is treated at balance date as a prepayment.

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, IBNR (Incurred But Not Reported), and unexpired risk liabilities are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

(h) Basis of expense apportionment
Expenses are incurred in relation to the acquisition and maintenance of life insurance and life investment contracts, in addition to expenses incurred with respect to investment management and other administrative activities. Acquisition costs are the fixed and variable costs of acquiring new business, including commissions and similar distribution costs and costs of accepting, issuing and initially recording policies. Investment management costs are the fixed and variable costs of managing investment funds. Maintenance costs are the fixed and variable costs of administrative policies subsequent to sale and maintaining the Company's operations such as that they are sufficient to service in-force policies. All other expenses are considered to be maintenance costs incurred to administer existing life insurance and life investment contracts.

Expenses of the Company are either:
Direct costs; where they are directly attributable to life insurance and life investment products.

Indirect costs; all other expenses relating to the acquisition, maintenance and investment management activities associated with life insurance and life investment contracts which are booked in cost centres and have been incurred in relation to more than one business activity.

(i) Policy acquisition costs
Policy acquisition costs comprise the fixed and variable costs of acquiring new business, including commission, advertising, policy issue and underwriting costs, agency expenses and other sales costs. Acquisition costs are initially recorded in the Statement of Comprehensive Income, with any amounts to be deferred then taken to the Statement of Financial Position as a Deferred Acquisition Cost (DAC).

(j) Deferred acquisition costs are recognised for the products below:
Life insurance contracts
The proportion of life insurance contract acquisition costs not recovered by specific charges received from the contract holder at inception is deferred provided that these amounts are recoverable out of future product margins. The deferred amounts are recognised in the Statement of Financial Position as a reduction in life insurance liabilities and are amortised through the Statement of Comprehensive Income over the expected duration of the relevant policies.

Life investment contracts
Incremental acquisition costs incurred in acquiring a life investment contract are deferred, as an asset on the Statement of Financial Position, and amortised over the periods of expected future benefit.

(k) Taxation
Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period in each jurisdiction. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

Deferred tax assets are recognised to the extent that it is probable that profits will be available against which deductible temporary differences or unused tax losses can be utilised. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Goods & services tax (GST)
The Statement of Comprehensive Income and Cash Flow Statement are stated exclusive of GST where inputs are recoverable. In these circumstances the GST is included in the related asset or expense. All other components are stated inclusive of the non-recoverable portion of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables which include GST invoiced.

(l) Financial assets backing insurance business
The Company has determined that, all assets held are assets backing life insurance contracts and life investment contracts, and non-life insurance contracts with the exception of property, plant and equipment and investments in controlled entities. Such assets have been valued at fair value through profit or loss wherever the applicable standard allows.

Fair value is determined as follows:
- Cash assets, bank overdrafts, and short-term deposits are carried at face value of the amounts deposited or drawn. This approximates fair value.

- Shares listed on stock exchanges: fair value is taken as the bid price of the instrument. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.
- Receivables are carried at book value, which is the best estimate of fair value, as they are settled within a short period.
- Policy loans are carried at the recoverable amount represented by the present value of the outstanding cash flows adjusted for any impairment. Policy loans do not meet the definition of a financial instrument.
- Fixed Interest securities: fair value is based on quoted market prices, where available, or calculated discounted cash flow models based on current market rates.

Derivative financial instruments
The Company may use derivative financial instruments such as interest rate swaps and foreign currency contracts to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value and the fair value movements are charged through the Statement of Comprehensive Income. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. As at 31 December 2009 the Company has no derivative (31 December 2008: none).

(m) Financial Assets
The Company classifies its financial assets into the following categories: at fair value through profit or loss and loans and receivables.

i. Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

ii. Loans and receivables
Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" on the Statement of Financial Position.

Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within 'investment revenue' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income as part of investment income when the Company's right to receive payment is established.

(n) Property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Depreciation is calculated on a diminishing value basis, using the rates set out below, over the remaining economic life of the asset. The depreciation expense is recognised in the Income Statement.

Computer equipment	20% - 60% DV
Leasehold improvements	9.5% - 30% DV
Furniture & fittings	9.5% - 33% DV
Office equipment	15% - 50% DV

The assets' useful lives are reviewed, and adjusted if appropriate at each balance date. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and recognised within Other Expenses in the Statement of Comprehensive Income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

(o) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives at a rate of 48% to 60% DV. Assets are tested for impairment on a regular basis.

(p) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

(q) Impairment of non-financial assets

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

(r) Trade and other payables

Payables include outstanding claims, expenses and fees payable and are recorded at the cash values to be incurred when settled.

(s) Life insurance contracts, and life investment contracts

Policy liabilities consist of life insurance contract liabilities (including unvested policyholder benefits) and life investment contract liabilities.

Life insurance contract liabilities

The value of life insurance contract liabilities is calculated using the Margin on Services (MoS) methodology in accordance with New Zealand Society of Actuaries Professional Standard 3, Determination of Life Insurance Policy Liabilities, (PS3). Under this methodology, planned profit margins and an estimate of future liabilities are calculated separately for each related product group using best estimate assumptions at each reporting date. Profit margins are released over each reporting period in line with the services that have been provided. The balance of the planned profits is deferred by including them in the value of policy liabilities. Further details of the actuarial assumptions used in these calculations are set out in note 4. Certain product groups use the Accumulation Method to value the contract liabilities. The liability under the accumulation method is the termination value less the DAC. The termination value for risk products is the sum of the unearned premium reserve, the IBNR reserve, and the outstanding claims reserve.

Life investment contract liabilities

Life investment contracts liabilities are valued at fair value, which is based on the valuation of the linked assets, subject to a minimum of the current surrender value. Fair value is determined by estimating the amount payable under the contract for any premiums received.

The current surrender value is the amount which the contract holder is entitled to receive upon immediate surrender. This equates to the accumulated premiums received less any surrender penalties.

(t) Liability adequacy test

Life insurance

At each balance date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities, are used. Liabilities are grouped into related product groups and each group is tested against the best estimate of future cash flows. If the liability of the related product group is less than the best estimate, the liability is increased with the expense being booked directly through the Statement of Comprehensive Income.

(u) Employee entitlements

Provision is made for employee entitlements for services rendered up to the balance date. This includes salaries, wages, bonuses, accumulating sick leave, annual leave and long service leave. Liabilities arising in respect of employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts. All other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided up to the balance date. In determining the present value of future cash outflows, discount rates used are based on the interest rates attaching to government securities which have terms to maturity approximating the terms of the related liability.

(v) Contributed equity

Ordinary shares issued by the Company are classified as equity and are recognised at fair value less direct issue costs.

(w) Operating leases

Operating lease payments arising from the lease of office premises and other equipment assets, where the lessors effectively retain the significant risks and benefits of ownership of the leased items, are recognised in the Statement of Comprehensive Income in equal annual instalments over the lease term in the period the amounts are payable.

(x) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. The functional currency of the Company is New Zealand dollars.

(y) Cash flow statement

The following are definitions of terms used in the Cash Flow Statement:

(a) Operating activities include all transactions and other events that are not investing or financing activities.
(b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments.
(c) Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(z) Change in comparative figures

Investment revenue and other expenses for the comparative period have been restated by $954K to ensure consistency with current year classifications. The adjustment relates to the disclosure of certain products on a gross basis within the current year.

Note 1: Critical Accounting Judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities at period end. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It has been determined that there have been no critical accounting judgements made during the period.

Note 2: Critical Accounting Estimates

(a) Life insurance contract liabilities

Life insurance contract liabilities are computed using statistical or mathematical methods, which are expected to give approximately the same results as if an individual liability was calculated for each contract. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written.

The key factors that affect the estimation of these liabilities and related assets are:

- The cost of providing benefits and administering these insurance contracts;
- Mortality and morbidity experience on life insurance products, including enhancements to policyholder benefits;
- Discontinuance experience, which affects the Company's ability to recover the cost of acquiring new business over the lives of the contracts; and
- The amounts credited to policyholders' accounts compared to the returns on invested assets through asset-liability management and strategic and tactical asset allocation.

In addition, factors such as regulation, competition, interest rates, taxes, securities market conditions and general economic conditions affect the level of these liabilities. In some contracts, the Company shares experience on mortality, morbidity, persistency and investment results with its customers, which can offset the impact of these factors on profitability from those products. Details of specific actuarial policies and methods are set out in note 4.

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

Provision is made at the period end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Company 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 Company, 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. The product liability class 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. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. 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 reduce when compared with the cost of previously settled claims including:

- Changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods
- Changes in the legal environment
- The effects of inflation
- Changes in the mix of business
- The impact of large losses
- Movements in industry benchmarks

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

(c) 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 Company may not receive amounts due to it and these amounts can be reliably measured.

Note 3: Risk Management Policies and Procedures

The financial condition and operating results of the Company are affected by a number of key financial and non-financial risks. Financial risks include interest rate risk, currency risk, credit risk, market risk, financing risk and liquidity risk. The non-financial risks are insurance risk, compliance risk and operational risk. The Company's objectives and policies in respect of managing these risks are set out in the remainder of this section.

(a) Risk management objectives and policies for mitigating risk
The Company's objective is to satisfactorily manage these risks in line with the Company's Risk Management Statement. Various procedures are put in place to control and mitigate the risks faced by the Company depending on the nature of the risk. The Company's exposure to all risks is monitored by the Company and this exposure is regularly reported to the Board.

Financial risks are generally monitored and controlled by selecting appropriate assets to back life insurance contracts and life investment contracts. The assets are regularly monitored by the Board to ensure that there is no material asset and liability mismatching issues and other risks such as liquidity risk and credit risk are maintained within the acceptable limits.

Insurance risks are controlled through the use of underwriting procedures, adequate premium rates and policy changes and sufficient reinsurance arrangements. Tight controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

Compliance risk and operational risk are both regularly monitored.

(b) Strategy for managing risk
Portfolio of risks
The Company issues term life insurance contracts and disability insurance contracts. The performance of the Company and its continuing ability to write business depends on its ability to pre-empt and control risks.

Risk strategy
In compliance with contractual and regulatory requirements, a strategy is in place to ensure that the risks underwritten satisfy policyholder's risk and reward objectives whist not adversely affecting the Company's ability to pay benefits and claims when due. The strategy involves the identification of risks by type, impact and likelihood, the implementation of processes and controls to mitigate the risks, and continuous monitoring and improvement of the procedures in place to minimise the chance of an adverse compliance or operational risk event occurring. Included in this strategy is the process for underwriting and product pricing to ensure products are appropriately priced. Capital requirements are measured using various regulatory reporting requirements to which the Company's operations are subject.

Allocation of capital
A certain level of assets (capital) are required to be held by the Company in order to meet its liabilities to policyholders and fulfil its new business plans. Capital is held in a central reserve based on management's assessment of the risk to which each line of business is exposed and its views on the profitability of the products that are sold.

Solvency margin requirements are in place to reinforce safeguards for policyholders' interests, which are primarily the ability to meet the future claims payments to policyholders. The solvency margins measure the excess of the value of the insurers' assets over the value of its liabilities, each element being determined in accordance with the applicable valuation rules. This margin must be maintained throughout the year, not just at year end. These solvency requirements also take into account specific risks faced by the Company. Where the outcome of specific adverse scenarios differs from expectations, this has also been identified (note 23).

(c) Methods to monitor and assess risk exposures
Exposure to risk
In an effort to protect and enhance shareholder value, the Company actively manages its exposure to risks so that it can react in a timely manner to changes in financial markets, insurance cycles, and economic and political environments.

Management reporting
The Company reports monthly financial and operations results, mortality and morbidity experience, claims frequency and severity, and exposure for each portfolio of contracts (gross and net of reinsurance) to CIGNA's Asia Pacific Regional Management Committee. This information is combined with the detail of the Company's reinsurance programme to provide a central view of the Company's performance and its gross and net exposure. The information, the process by which it is gathered and the controls over the process are reviewed by the CIGNA Asia Pacific Regional Management Committee and is subject to annual review by the Parents company's internal auditors.

(d) Methods to limit or transfer risk exposures
Reinsurance
The Company's reinsurance activities and needs are monitored and directed by the CIGNA International Division Reinsurance and Underwriting Department based in the United States. Reinsurance programmes are put in place to assess the impact on the Company's exposure to risk and to ensure the achievement of the optimal choice of type of reinsurance and retention levels.

Underwriting procedures
Strategic underwriting decisions are put into effect using the underwriting procedures detailed in the Company's underwriting manual. Such procedures include limits to delegated authorities and signing powers. The underwriting process is monitored by the internal auditors to ensure adequate controls are in place over the underwriting process and that the controls are effective.

Claims management
Strict claims management procedures ensure the timely and correct payment of claims in accordance with policy conditions.

Asset and liability management techniques
Duration analysis is primarily used for interest-sensitive products and policies with long-term fixed payout patterns. Sensitivity analyses are primarily used for participating products and simulate the impact of certain market fluctuation scenarios on future cash flows, fair values or forecasted earnings. For non-discretionary participatory insurance products, such as unit-linked products, the interest and market risks are passed on to the policyholder.

Management of market risk is generally less critical for short-term insurance products, as the amounts and timing of claims do not vary significantly with interest rates or other market changes that affect the underlying investments. The premiums received and the investment returns (net investment income and realised gains and losses) provide substantial liquidity to meet claims payments and associated expenses as they arise. Consequently, there is greater flexibility in investment strategies while managing investments to ensure sufficient liquidity to meet the claims as they become due, based on actuarial assessments.

(e) Concentration of insurance risk

Insurance risks associated with human life events

The Company aims to maintain a stable age profile and gender mix within its portfolio of policyholders. This policy maintains a balance between the current and future profitability of the life business, a stable base of assets under management and exposure to the significant external events such as those described above.

The age profile and gender mix within the population of policyholders is sufficiently spread so that the Company risk concentration in relation to any particular age group is minimal.

(f) Terms and conditions of insurance contracts

The nature of the terms of the life insurance contracts written is such that certain external variables can be identified on which related cash flows for claim payments depend. The tables below provide an overview of the key variables upon which the amounts of related cash flows are dependant.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables that affect the timing and uncertainty of future cash flows
Non-participating life insurance contracts with fixed terms (Term Life and Disability)	Benefits paid on death, survival, accident or ill health that are fixed and not at the discretion of the issuer.	Benefits, defined by the insurance contract, are determined by the contract and are not directly affected by the performance of underlying assets or the performance of the contracts as a whole.	Mortality Morbidity Market risk Interest rates Discontinuance Expenses
Life insurance contracts with discretionary participating benefits (endowment and whole of life)	These policies include a clearly defined initial guaranteed sum assured which is payable on death. The guaranteed amount is a multiple of the amount that is increased throughout the duration of the policy by the addition of regular bonuses, annually which, once added, are not removed. Regular bonuses are also added retrospectively.	Benefits arising from the discretionary participation feature are based on the performance of a specified pool of contracts or a specified type of contract.	Mortality Morbidity Market risk Interest rates Discontinuance Expenses

Note 4: Actuarial Assumptions and Methods

The effective date of the actuarial report on life insurance liabilities and life investment contract liabilities and solvency reserves is 31 December 2009. The actuarial report for the Company was prepared by Keith Christie, a Fellow of the New Zealand Society of Actuaries. The actuarial report indicates that the actuary is satisfied as to the accuracy of the data upon which life insurance contracts and life investment contracts liabilities have been determined.

The liabilities of the life insurance contracts and the life investment contracts have been determined in accordance with Professional Standard No. 3 (PS3) of the New Zealand Society of Actuaries.

(a) Methods used to value policy liabilities

Projection method

The projection method uses expected cash flows (premiums, investment income, redemptions or benefit payments, expenses and profits) to establish the value of policy liabilities. The value of expected future premiums is deducted from the value of expected benefit and expense payments to arrive at the obligation to policy holders.

Accumulation method

Under the accumulation method, the policy liability is the sum of the unearned premiums, outstanding claims plus an allowance for claims incurred but not yet reported, less any deferred acquisition costs.

Methods used

Where the policy liability is determined by the projection method, actuarial standards require profit to be related to one or more financially measurable indicators of the provision of service (or related income) called "profit carriers".

(b) Disclosure of assumptions

The profit carriers used for the related product groups in order to achieve the systematic release of planned margins were as follows:

RPG's	Profit carriers
Traditional with profit whole of life/endowment	Value of bonus
Non-Profit Traditional	Not Applicable
Capital Guaranteed	Not Applicable
Unitised	Not Applicable
ASB MRI term	Expected Death claims
CAPSIL term life including DM, System 6 term life	Expected Death claims
Accident, Health, Revolving Credit	Not Applicable

Non-Profit Traditional, Capital Guaranteed, Unitised and Accident, Health, Revolving Credit have been valued using the accumulation method. The results from using the accumulation method rather than the "projection" method recommended under Appendix C of NZ IFRS 4 are not materially different.

Actuarial assumptions

Actuarial assumptions about future experience are required for the policy liability determination. The assumptions used were best estimate assumptions set by the Appointed Actuary. The key assumptions were:

		2009	2008
(i)	**Discount rates**		
	Discount rates assumed are:		
	Term insurance policies (after tax and investment fee basis)	4.16% pa	3.09% pa
	Accidental Health & Revolving Credit	3.75% pa	2.86% pa
	Traditional life policies (after tax and investment fee basis)	4.93% pa	3.84% pa

(ii) Expense inflation rates

Allowance for future expense inflation of 2.70% pa (2008: 2.70% pa) is assumed.

(iii) Future expenses and indexation

Future maintenance expenses have been assumed at current levels increased by the rate of expense inflation set out above (2.70% pa).

Future investment expenses have been assumed to be at the same percentage of assets under management as currently applies (0.16 of funds under management for cash, fixed interest and equities).

(iv) Rates of taxation

A key assumption change for 2009 was to adopt the new Life Insurance Tax basis for term life. The tax change will apply to all new business sold after 1 July 2010, however existing business will be subject to a transition period or remain under the old basis. For existing Yearly Renewable Term there is a five year grandfathering period, whilst existing Level Term can remain under the current basis indefinitely. The assumption for the tax rate has been maintained at 30% to reflect CLINZ's tax rate from 1 January 2008.

Class of business	2009	2008
Ordinary life insurance business	30%	30%
Other business (including accident and disability)	30%	30%
Shareholder (general) funds	30%	30%

(v) Mortality and morbidity

Individual

The projected rates of claims reflect current experience and are based on New Zealand standard mortality tables NZ95, NZ97 and NZLT 90-92. The proportion of each table adopted was based on recent actuarial investigations carried out by management.

(vi) Rates of discontinuance

Future rates of discontinuance for the major classes of business are assumed in aggregate to be in the order of:

Revolving Credit	15% pa
Accidental & Health	11% pa
Term life insurance	10% pa
Whole of life insurance	2% pa

Assumed rates may vary by business partner within a class and vary according to the length of time tranches of business have been in force

(vii) Surrender value

Future policy surrender values are projected on the basis of the Company's current practice.

(viii) Unit prices

A fair value approach has been used to determine policy liabilities for unit-linked life investment contract business and no assumptions are needed about rates of growth of unit prices.

(ix) Future participating benefits

For discretionary participating business, it is policy to set bonus rates such that over long periods, the returns to policyholders are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from business. Distributions are split between policyholders and shareholders with the valuation allowing for shareholders to share in distributions. In applying the policyholders' share of distributions to provide bonuses, consideration is given to equity between generations of policyholders and equity between the various classes and sizes of policies in force, in particular minimum guarantees for business transferred. Assumed future bonus rates included in policy liabilities were set such that the present value of policy holder benefits including future assumed bonus is equal to the value of the assets supporting the business together with assumed future investment returns, allowing for the shareholders' right to participate in distributions.

Assumed future bonus rates for the major classes of individual participating business were:
Conventional (with profit) policies
* Reversionary bonus rate 2.00% pa
These rates are in addition to contractual returns on participating policies.

Effects of changes in actuarial assumptions from 31 December 2008 to 31 December 2009

Assumption Category	**Effect on future Profit margins $'000 increase/(decrease)**	**Effect on policy liability $'000 increase/(decrease)**
Mortality and morbidity	(2,120)	-
Lapse rates	(15)	-
Discount rates	-	(2,999)
Expense level	3,112	-
Tax on term business (new basis)	(6,506)	-
Total	**(5,529)**	**(2,999)**

A key assumption change for 2009 was to adopt the new Life Insurance Tax basis for term life. The tax change will apply to all new business sold after 1 July 2010, however existing business will be subject to a transition period or remain under the old basis. For existing Yearly Renewable Term there is a five year grandfathering period, whilst existing Level Term can remain under the current basis indefinitely. The assumption for the tax rate has been maintained at 30% to reflect CLINZ's tax rate from 1 January 2008.

Risk Processes used to select assumptions
Discount rate
Where benefits under life insurance contracts are not contractually linked to the performance of the assets held, the life insurance contract liabilities are discounted for the time value of money using risk-free discount rates based on current observable, objective rates that relate to the nature, structure and term of the future obligations.

Where benefits under life insurance contracts are contractually linked to the performance of assets held, the life insurance contract liabilities are discounted using discount rates based on the market returns on assets backing life insurance liabilities.

Expense level and expense inflation
The valuation of Policy Liabilities includes the amount expected on best estimate assumptions to be required to the end of the benefit period to meet future expenses.

PS3 states that servicing expense assumptions must be sufficient in total across all business assumed to be in force in the year following the valuation date to cover expenses estimated to be required in that year to fully support the administration of that business as a going concern and to manage the assets representing the policy liabilities. Expenses considered to be "one-off" may be excluded. An appropriate rate of inflation is applied to maintenance expenses beyond the coming year.

Acquisition cost assumptions are determined having regard to past expense levels, expected volumes of new business and any other relevant factors. Acquisition costs relate to the costs incurred in acquiring specific policies, and do not include any costs of general growth and development.

If any actual acquisition costs differ from best estimate assumptions, an experience profit or loss will emerge at inception in addition to any planned profit. It is considered normal practice for the acquisition unit costs to reflect the actual acquisition costs incurred in the reporting period.

The acquisition and maintenance expense assumptions have been derived from the analysis of 2009 expenses. The analysis allocates expenses for each cost centre department between solicitation, acquisition and maintenance expenses. These expenses are then further split into Telemarketing and Bancassurance channels if required and different.

Tax
The Company has adopted new tax rules applicable from 1 July 2010.

Mortality and morbidity
An appropriate base table of mortality is chosen for the type of product being written. An investigation into the actual experience of the Company's business over the most recent three years is performed and statistical methods are used to adjust the rates reflected in the base table to a best estimate of mortality experience for the valuation. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table.

Voluntary Discontinuance
An investigation of the actual experience of the Company's business over the most recent five years is performed and statistical methods are used to determine an appropriate discontinuance rate. An allowance is then made for any trends in the data to arrive at a best estimate of future discontinuance rates.

Interest rates
For contracts where benefits are not contractually linked to asset values, NZ IFRS 4 specifically requires an assumption on the risk free rate of discount. The determination of the risk free discount rate takes into consideration the new money yields for government bonds with terms corresponding to the expected duration of the underlying contracts. Inputs from external investment managers are also taken in account in setting the fund growth rate.

Sensitivity analysis
The Company conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables such as the interest rate, equity prices, mortality, morbidity and inflation. The valuations included in the reported results or the best estimate of future performance are calculated using certain assumptions about these variables. The movement in any key variable will impact the performance and net assets of the Company's business and as such represent a risk.

Variable	Impact of movement in underlying variable
Expense risk	An increase in the level or inflationary growth of expenses over assumed levels will decrease profit and shareholder equity.
Interest rate risk	Depending on the profile of the investment portfolio, the investment income will decrease as interest rates decrease. This may be offset to an extent by changes in the market value of fixed interest investments. The impact on profit and shareholder equity depends on the relative profits of assets and liabilities, to the extent that these are not matched. Sensitivity testing performed measures the impact from the liability side only.
Mortality rates	For insurance contracts, providing death benefits, greater mortality rates would lead to higher levels of claims occurring sooner that anticipated, increasing associated claims cost and therefore reducing profit and shareholder equity.
Morbidity rates	The cost of the health-related claims depends on both the incidence of the policyholders becoming ill and for continued benefits on the duration for which they remain ill. Higher than expected incidence and duration would be likely to increase claim costs, reducing profit and shareholders equity.
Discontinuance	The impact of the discontinuance rate assumption depends on a range of factors including the type of contract, the surrender value basis (where applicable) and the duration in force. For example, an increase in discontinuance rates at earlier durations of life insurance contracts usually has a negative effect on performance and net assets. However, due to the interplay between the factors, there is not always an adverse outcome from an increase in discontinuance rates.

Market risk — For non-discretionary participation contracts maturity payments depend on the value of underlying assets. In this case direct market risk is entirely borne by policyholders. However, the company derives fee income based on the value of the underlying funds; hence revenues are always sensitive to changes in market value. For assets which are not contractually linked to policy liabilities, the business is exposed to market risk

For life insurance contracts, which are accounted for under MoS, amounts of liabilities, income or expenses 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. The table below illustrates how changes in key variables would impact the reported profit and equity of the business:

Changes in Variable	**Movement**	**Increase in Life Insurance Contract Liabilities Net of Reinsurance NZ $'000**	**Decrease in Shareholder Profit After Tax and Equity Net of Reinsurance NZ $'000**
Mortality	Deterioration by 10%	0	0
Morbidity Claims Costs	Deterioration by 10%	n/a	n/a
Lapses and Surrenders	Deterioration by 10%	0	0
Discount Rate	Deterioration by 1%	3,784	3,784
Renewal Expenses	Deterioration by 10%	0	0

Note that the impact of the discount rate change is solely an impact on liabilities. In the normal course of events a compensatory but not necessarily equal change would occur in the market value of assets and thus to the shareholder profit.

5 Analysis of net profits

		Note	2009 $'000	2008 $'000
	Item			
A	Planned profit margins		5,969	6,858
B	Experienced profits		5,630	(3,452)
C	Capitalised (losses)		-	-
D	Investment earnings on retained profits		2,094	8,417
	Net profit after tax (=A+B+C+D)		13,693	11,823

6 Premium revenue

Insurance premium revenue

	Note	2009 $'000	2008 $'000
Life insurance premiums		52,614	51,223
Life investment premiums		603	790
Total life premiums		53,217	52,013
Less			
Deposits recognised as an increase in policyholder liabilities	19	(299)	(159)
Fee and other income recognised in premium income		(304)	(631)
Life premiums recognised as revenue		52,614	51,223
Non life insurance premiums		-	-
Outwards reinsurance premiums		4,108	3,033
Total premium revenue from insurance contracts		56,722	54,256

7 Investment revenue

	2009 $'000	2008 $'000
Dividend income	154	163
Interest income	3,989	5,930
Cash interest income	1,336	1,731
Net fair value (losses) gains on financial assets at fair value through profit or loss (i)	(2,788)	2,510
Total investment revenue	2,691	10,334
(i) Net realised gains and losses on financial assets		
Equity gains	1	-
Equity losses	(58)	-
Debt security gains	314	(130)
Debt security losses	(136)	-
	121	(130)
(i) Net unrealised gains and losses on financial assets		
Equity gains	576	-
Equity losses	(81)	(1,859)
Debt security gains	51	4,537
Debt security losses	(3,455)	(38)
	(2,909)	2,640
Total investment revenue by contract type:		
Life insurance contracts		
Income from		
Equity securities	424	(697)
Fixed interest securities and cash	1,839	10,077
	2,263	9,380
Life investment contracts		
Income from		
Equity securities	168	(999)
Fixed interest securities and cash	260	1,953
	428	954
	2,691	10,334

8 Payments under policies

Claims expense

	Note	2009 $'000	2008 $'000
Life insurance claims (net of reinsurance)		14,483	8,805
Life investment contract payments (withdrawals)		1,033	440
Life investment contract claims (withdrawals)		989	2,318
Total life claims		**16,505**	**11,563**
Withdrawals recognised as a decrease in policyholder liabilities	19	(2,022)	(2,758)
Inwards reinsurance revenues		1,440	607
Claims expense (gross)		15,923	9,412

		2009 $'000	2008 $'000
9	**Other expenses include**		
	Policy acquisition costs - life insurance contracts		
	Commission	2,354	4,210
	Other solicitation and acquisition costs	13,096	13,632
	Total policy acquisition costs	15,450	17,842
	Policy maintenance costs		
	Commission	11,262	10,943
	Life insurance contracts	8,419	9,507
	Investment management expenses	118	99
	Total maintenance expenses	19,799	20,549
	Total	35,249	38,391
	Analysis of expense by nature		
	Commission	13,616	15,153
	Depreciation expense	339	405
	Amortisation expense	394	672
	Doubtful debts expense	59	62
	Employee benefits expense	10,647	10,775
	Superannuation contributions	703	643
	Fees paid to auditors - audit fees	92	80
	Foreign exchange loss (gain)	44	-
	Rental expense	1,177	1,088
	Termination expenses	-	374

10 Taxation

a) Income tax recognised in profit or loss

	2009	2008
Profit from continuing operations	15,569	15,391
Income tax expense at 30 percent	4,671	4,617
Permanent differences		
- life insurance liability permanent differences	(3,119)	(1,724)
- other permanent differences	-	-
Unused tax losses and tax offsets not recognised as deferred tax assets	324	675
Under provision of income tax in previous period	-	-
	1,876	3,568

The tax expense reflects the movement in deferred tax in respect of deferred acquisition costs included in policyholder liabilities (note 19)

The benefit of income tax losses not recognised but carried forward and available to be set off against future life and accident and health base taxable income approximates $28m (2008 $25.95m). The realisation of the tax benefit of the balance of these losses is dependent on the Company meeting the requirements of income tax legislation. Policyholder base tax losses may be utilised only to meet future policyholder base profits.

b) Current tax asset

	2009	2008
Current tax assets:		
Tax refund receivable	54	37
Movements in Imputation Credit Account		
Opening balance	2,340	2,287
Credits attached to dividends received	62	40
Tax payments (refunds) to IRD	17	13
Credits attached to dividends paid	-	-
Transfer to policyholder credit account	2,419	2,340

			2009 $'000	2008 $'000
11	**Cash and cash equivalents**			
	Cash at bank and in hand		6,156	12,116
	Short-term bank deposits		30,748	24,727
			36,904	36,843

The effective interest rate on short-term bank deposits was 3.56% (2008: 5.45%) and has an average maturity of 170 days (2008: 52 days).

			2009 $'000	2008 $'000
12	**Insurance receivables**			
	Outstanding premiums		4,499	4,776
	Reinsurance recoveries		1,483	2,672
	Total insurance receivables (current)		5,982	7,448

The value of past due but not impaired receivables as at 31 December 2009 was $86,093 (2008: $169,005). Premium amounts that are due and do not have surrender values to offset the premium are lapsed after three months of non payment. When lapsed, outstanding premiums are written off to the Statement of Comprehensive Income.

			2009 $'000	2008 $'000
13	**Other receivables**			
	Sundry debtors		57	19
	Investment debtors		705	625
	Prepayments		158	74
	Related party loans and receivables	30	3,676	5,479
	Provision for impairment - Related party loan		(1,671)	(1,612)
	Total other receivables (current)		2,925	4,585

	2009 $'000	2008 $'000
The movement in the allowance for doubtful debts during the reporting period was as follows:		
Balance as at 1 January	(1,612)	(1,550)
Impairment loss recognised during the year		
0-30 days	-	(8)
31-60 days	-	-
61-90 days	(1)	-
91-120 days	-	-
Greater than 120 days but less than 365 days	(58)	(54)
Balance as at 31 December	(1,671)	(1,612)

Doubtful debt provisions in relation to receivables are provided based on estimated recoverable amounts determined by reference to current circumstances of the counterparty and past default experience. In determining the recoverability of receivables the Company considers any change in the credit quality of the receivable from the date the credit was initially granted up to the reporting date. The Company has provided fully for receivables over 120 days past due. Trade receivables between 60 days and 120 days past due are provided for based on estimated irrecoverable amounts determined by reference to past due default experience.

Financial assets past due but not impaired

The Company considers that financial assets are past due if no payments have been received when contractually due. At the reporting date the total of the carrying values of past due but not impaired assets held by the Company are as follows:

	2009 $'000	2008 $'000
0-30 days	-	-
31-60 days	1	-
61-90 days	-	4
91-120 days	7	-
Total	8	4

		2009 $'000	2008 $'000
14	**Financial assets at fair value through profit or loss**		
	Equities	4,421	3,735
	New Zealand fixed interest securities	65,110	64,111
	Total financial assets at fair value through profit or loss (level 1)	69,531	67,846
	Represented by		
	Current	6,441	4,481
	Non current	63,090	63,365
		69,531	67,846

The fair value of all equities are based on the quoted price of the relevant public stock exchange. The New Zealand fixed interest securities are fair valued based on the local active markets as supplied by the Company's investment manager. All of the Company's financial instruments held at fair value are considered to be level 1 instruments (2008: same).

There has been no change to the way any financial assets have been valued from the prior year.

15 Property, plant & equipment

	Leasehold improvements $'000	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Total $'000
Year ended 31 December 2009					
Opening net balance	793	28	496	283	1,600
Additions	5	10	21	207	243
Depreciation expense	(87)	4	(80)	(176)	(339)
Disposals	(61)	(17)	-	(22)	(100)
Reallocation of assets between categories	-	-	-	-	-
Closing net book value	650	25	437	292	1,404
As at 31 December 2009					
Cost	1,082	146	838	1,811	3,877
Accumulated depreciation	(432)	(121)	(401)	(1,519)	(2,473)
Net book value	650	25	437	292	1,404

	Leasehold improvements $'000	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Total $'000
Year ended 31 December 2008					
Opening cost 1 January 2008	977	578	954	1,430	3,939
Opening accumulated depreciation	(255)	(362)	(373)	(1,159)	(2,149)
Opening net balance 1 January 2008	722	216	581	271	1,790
Additions	160	10	75	104	349
Depreciation expense	(89)	(55)	(90)	(171)	(405)
Disposals	-	(9)	(118)	(7)	(134)
Reallocation of assets between categories	-	(134)	48	86	-
Closing net book value	793	28	496	283	1,600
As at 31 December 2008					
Cost	1,138	153	817	1,626	3,734
Accumulated depreciation	(345)	(125)	(321)	(1,343)	(2,134)
Net book value	793	28	496	283	1,600

No amounts of property, plant and equipment are pledged as security or have restrictions on their title.

16 Intangible assets

	2009 $'000	2008 $'000
Intangible assets are software items that are purchased from external providers.		
As at 1 January		
Cost	3,398	2,501
Accumulated amortisation	(2,686)	(2,014)
Net book amount	712	487
Year ended 31 December		
Opening net book amount	712	487
Additions	488	957
Disposals	-	(60)
Amortisation charge	(394)	(672)
Closing net book amount	806	712
As at 31 December		
Cost	3,886	3,398
Accumulated amortisation	(3,080)	(2,686)
Net book amount	806	712

17 Trade and other payables

Sundry creditors and accruals		3,846	2,379
Reinsurance premiums payable to related parties	30	648	421
Other reinsurance premiums payable		251	1,138
Amounts due to related parties	30	296	237
Deposits held for policies not issued		11	26
Payable to agents		4,448	4,948
Total accounts payable (current)		9,500	9,149

18 Other liabilities

	2009 $'000	2008 $'000
Outstanding disbursements	267	216
GST payable	119	139
Employee entitlements	732	615
Total other liabilities (current)	1,118	970

19 Life insurance contract liabilities

	2009 $'000	2008 $'000
Movements in policyholder liabilities		
Net policyholder liabilities at the end of the year	(12,799)	(1,384)
Net policyholder liabilities at the end of the previous year	(1,384)	1,614
Net change in policyholder liabilities	(11,415)	(2,998)
Net increase in policyholder liabilities as above	(11,415)	(2,998)
Deposits recognised as an increase in life insurance policy liabilities	(299)	(159)
Withdrawals recognised as a decrease in life insurance policy liabilities	2,022	2,758
Net increase in policyholder liabilities as per Statement of Comprehensive Income	(9,692)	(399)
Components of policyholder liabilities		
For non-investment linked business		
- Value of future profits	20,371	21,746
- Value of future policy benefits non investment linked business	112,050	106,072
- Value of future expenses	44,021	36,847
- Value of future reinsurance	-	-
- Value of DAC tax seperately recognised	(19,629)	(17,753)
- Value of (balance of) future premiums	(184,548)	(164,527)
	(27,735)	(17,615)
For investment linked business		
- Value of future policy benefits	14,936	16,231
Net policyholder liabilities (assets) as per Statement of Financial Position	(12,799)	(1,384)
Value of policy benefits subject to capital guarantees included in policy liabilities	9,410	10,281

20 Disaggregated information

	2009 Investment Linked $'000	Non-Investment Linked $'000	Shareholder Investments $'000	Total $'000
Statement of Financial Position				
Cash and cash equivalents	3,989	912	32,003	36,904
Insurance receivables	-	-	5,982	5,982
Other receivables	-	-	2,925	2,925
Current tax receivable	-	-	54	54
Financial assets at fair value through profit or loss (current and non current)	10,947	111	58,473	69,531
Policy loans	-	-	543	543
Other assets	-	-	2,210	2,210
Trade and other payables	-	-	(9,500)	(9,500)
Life insurance contract liabilities	(14,936)	27,735	-	12,799
Other liabilities	-	(19,629)	(1,118)	(20,747)
Insurance liabilities	-	(9,129)	-	(9,129)
Retained earnings and contributed equity	-	-	(91,572)	(91,572)
	-	-	-	-
Statement of Comprehensive Income				
Net premium revenue	-	52,614	-	52,614
Fee and other revenue	304	-	-	304
Net claims expense	-	(14,483)	-	(14,483)
Other operating expenses	(487)	(24,952)	(118)	(25,557)
Investment revenue	428	227	2,036	2,691
Profit before tax	245	13,406	1,918	15,569
Taxation	-	(1,876)	-	(1,876)
Profit after tax	245	11,530	1,918	13,693
Other comprehensive income	-	-	-	-
Total comprehensive income	245	11,530	1,918	13,693

Whilst there exist products that have investment linked characteristics the existence of significant death benefits embedded in the product design means that they are classified as non-investment linked for this note.

	2008			
	Investment Linked	**Non-Investment Linked**	**Shareholder Investments**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Statement of Financial Position				
Cash and cash equivalents	4,354	982	31,507	36,843
Insurance receivables	-	-	7,448	7,448
Other receivables	-	-	4,585	4,585
Current tax receivable	-	-	37	37
Financial assets at fair value through profit or loss (current and non current)	11,877	8,606	47,363	67,846
Policy loans	-	-	746	746
Other assets	-	-	2,312	2,312
Trade and other payables	-	-	(9,149)	(9,149)
Life insurance contract liabilities	(16,231)	17,615	-	1,384
Other liabilities	-	(17,753)	(970)	(18,723)
Insurance liabilities	-	(9,450)	-	(9,450)
Retained earnings and contributed equity	-	-	(83,879)	(83,879)
	-	-	-	-
Statement of Comprehensive Income				
Net premium revenue	-	51,223	-	51,223
Fee and other revenue	631	-	-	631
Net claims expense	-	(8,805)	-	(8,805)
Other operating expenses	(1,112)	(35,827)	(1,053)	(37,992)
Investment revenue	954	10	9,370	10,334
Profit before tax	473	6,601	8,317	15,391
Taxation	-	(3,568)	-	(3,568)
Profit after tax	473	3,033	8,317	11,823
Other comprehensive income	-	-	-	-
Total comprehensive income	473	3,033	8,317	11,823

Whilst there exist products that have investment linked characteristics the existence of significant death benefits embedded in the product design means that they are classified as non-investment linked for this note.

21 Equity

	2009	2008
Contributed equity - ordinary shares	500,000	500,000

All ordinary shares are ranked equally with one vote attached to each fully paid up ordinary share. There is no par value attached to the shares.

	2009	2008
	$'000	$'000
Retained earnings		
Opening balance	83,379	81,556
Profit for the year	13,693	11,823
Dividend paid	(6,000)	(10,000)
Closing balance	91,072	83,379

22 Insurance liabilities

	2009	2008
Claims under policies in the process of settlement (current)	7,517	8,001
Claims incurred but not reported (current)	1,612	1,449
Total insurance liabilities	9,129	9,450

23 Solvency requirements

The minimum equity required to be retained to meet solvency requirements over and above the policyholder liabilities has been determined by the solvency standard referred to in the Life Insurance Act 1908.

The solvency requirement is shown below:
Represented by:

		2009	2008
Policy liabilities	(A)	6,830	16,369
Other liabilities	(B)	19,747	19,569
Other solvency liabilities	(C)	53,857	51,812
Solvency reserve		80,434	87,750
Assets available to meet solvency reserve:	(D)	118,149	119,817
Required solvency reserve %	(C) / ((A)+(B))	203%	144%
Coverage of required solvency reserve	((D) - (A + B)) / (C)	170%	162%

The Directors have determined, after considering advice from the Actuary, to set aside an amount of $53,857,049 as a reserve for solvency. This solvency reserve is not distributable. The amount of the solvency reserve has been determined based on the principles in the New Zealand Society of Actuaries Professional Standard No. 5 (PS5 - Solvency Reserving For Life Insurance Business).

The Actuary has not investigated in detail the Related Party Reinsurance arrangements. The Directors have decided not to establish Prudential Reserves in respect of this business. This is because the business is directly ceded to a reinsurer who, although not formally "rated" is part of the larger CIGNA Group.

The Actuary has not investigated in detail the capital requirements to ensure long-term financial soundness. The Directors consider the Company to have adequate capital for future planned growth.

24 Managed funds and other fiduciary activities

The Company acts as Trustees for a number of superannuation funds. The assets and liabilities of these funds are not included in the financial statements, the Company does not have direct control of the funds. Commissions and fees of $28,841 (2008: $28,841) earned in respect of administration activities are included in the Statement of Comprehensive Income.

The New Zealand business manages the following funds and activities:

Name	Position
CIGNA Life Nestegg Superannuation Plan	Trustee
MONARCH Life Superannuation Fund	Trustee
MONARCH Life Personal Pension Fund	Trustee

Arrangements exist to ensure the above activities are managed independently from the other activities of the Company.

25 Operating lease commitments

Future operating lease commitments on premises and equipment leased by the Company are as follows:

	2009 $'000	2008 $'000
Payable no later than one year	1,006	987
Payable later than one year and not later than five years	3,271	3,948
Payable later than five years	-	247

26 Contingent liabilities

The Company had no material contingent liabilities at balance date; the directors believe they have fully provided for any outstanding matters (2008: Nil).

27 Capital commitments

The Company had no material capital commitments at balance date (2008: Nil).

28 Cash flow reconciliation

	2009 $'000	2008 $'000
Profit after tax	13,693	11,823
Non-cash items		
Depreciation expense	339	405
Amortisation expense	394	672
Deferred tax movement	1,876	3,568
Provision for doubtful debts	59	62
Net unrealised fair value gains (losses) on financial assets at fair value through profit or loss	2,909	(2,640)
Movements in policyholder liabilities	(11,415)	(2,998)
Changes in working capital items		
Receivables	1,192	2,177
Payables	(1,571)	(1,709)
Insurance liabilities	(321)	1,238
Tax receivable	(17)	(13)
Items classified as investing activities		
Net realised fair value loss on financial assets at fair value through profit or loss	(121)	130
Loss on sale of fixed assets	(18)	157
Net cash inflow from operating activities	6,999	12,872

29 Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the Statement of Significant Accounting Policies. Significant terms and conditions of policy liabilities are disclosed in Note 4.

The financial condition and operating results of the Company are affected by a number of key financial and non-financial risks. Financial risks include market risk, credit risk and financing and liquidity risk. The non-financial risks include insurance risk, compliance risk and operational risk. The Company's objectives and policies in respect of non-financial risks are disclosed in the Note 3, while the managing of financial risk is set out in the remainder of this section.

Financial instrument by categories

The analysis of financial assets and liabilities into their categories is set out in the table below:

	Loans and receivables	Designated as fair value through profit or loss	Financial liabilities at amortised cost	Total
As at 31 December 2009	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	36,904	-	-	36,904
Other receivables (excl prepayments)	2,767	-	-	2,767
Insurance receivables	5,982	-	-	5,982
Fair value through profit or loss	-	69,531	-	69,531
Trade and other payables	-	-	(9,500)	(9,500)
Other liabilities	-	-	(386)	(386)
Insurance liabilities	-	-	(9,129)	(9,129)
	45,653	69,531	(19,015)	96,169

	Loans and receivables	Designated as fair value through profit or loss	Financial liabilities at amortised cost	Total
As at 31 December 2008	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	36,843	-	-	36,843
Other receivables (excl prepayments)	4,511	-	-	4,511
Insurance receivables	7,448	-	-	7,448
Fair value through profit or loss	-	67,846	-	67,846
Trade and other payables	-	-	(9,149)	(9,149)
Other liabilities	-	-	(355)	(355)
Insurance liabilities	-	-	(9,450)	(9,450)
	48,802	67,846	(18,954)	97,694

Financial risk management objectives

The ultimate controlling entity's Corporate Treasury function provides services to the Company, it co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Company's policies approved by the ultimate controlling entity's Board of Directors, which provide written principles (investment mandate) on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Parent company's internal auditors on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(a) Financing and liquidity risk

Financing and liquidity risk is the risk that the Company will not be able to meet its cash outflows or refinance debt obligations, as they fall due, because of lack of liquid assets or access to funding on acceptable terms.

To mitigate financing and liquidity risk the Company's treasury function maintains sufficient liquid assets to ensure that the Company can meet its debt obligations and other cash outflows on a timely basis. Each member of the CIGNA world wide Group is required to monitor it's own liquidity position and reports monthly to the Asia Pacific regional treasury function their cash balances.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding management requirements.

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair values unless otherwise noted, determined in accordance with the accounting policies disclosed in the Statement of Accounting Policies. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and related party lending.

Quantitative liquidity risk
The table below summarises the Company's financial liabilities into relevant maturity groups based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are contractual undiscounted cash flows that include interest payments and exclude the impact of netting agreements.

2009	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5+ years $'000	Total $'000
Financial Liabilities							
Payables	9,500	-	-	-	-	-	9,500
Other liabilities	386	-	-	-	-	-	386
Insurance liabilities	9,129	-	-	-	-	-	9,129
Letters of credit and guarantees issued	549	-	-	-	-	-	549
Life insurance contract liabilities	14,350	13,579	12,774	12,102	11,590	177,906	242,301
	33,914	13,579	12,774	12,102	11,590	177,906	261,865

2008	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5+ years $'000	Total $'000
Financial Liabilities							
Payables	9,149	-	-	-	-	-	9,149
Other liabilities	355	-	-	-	-	-	355
Insurance liabilities	9,450	-	-	-	-	-	9,450
Letters of credit and guarantees issued	549	-	-	-	-	-	549
Life insurance contract liabilities	13,501	12,720	12,208	11,361	10,763	166,517	227,070
	33,004	12,720	12,208	11,361	10,763	166,517	246,573

(b) Market risk
Interest rate risk
Interest rate risk is the risk that the value of the Company's assets and liabilities will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk through its fixed interest investments and cash holdings. The Company manages its exposure through the use of an investment manager and holding investments of a high calibre as defined by the investment mandate described earlier. The Company's exposure to interest rate risk is shown by the below sensitivity analysis.

Sensitivity analysis interest rate risk
As at 31 December 2009 if interest rates on cash deposits and interest bearing investments had been 50 bpts higher or 50 bpts lower with all other variables held constant the impact on post tax profits and net assets would have been as follows:

	+50bpts -50bpts $'000
Effect on Profit and Equity	
Cash and cash equivalents	185 / (185)
Financial assets at fair value through profit or loss	328 / (328)

(c) Foreign currency risk exposure
Currency risk is the risk of loss resulting from changes in exchange rates when applied to assets and liabilities or future transactions denominated in a currency that is not the Company's functional currency.

The Company is exposed to foreign currency risk through its physical holdings in investments denominated in foreign currency. The following table details the Company's investment portfolio's net exposure to foreign currency as at 31 December 2009 and 31 December 2008. It is the Company's policy not to enter into forward contracts.

The New Zealand dollar values of assets and liabilities of the Company that are denominated in foreign currencies and not hedged are included in the table below.

2009	**US Dollars $'000**	**British Pounds $'000**
Assets denominated in foreign exchange	161	2,156
Liabilities denominated in foreign exchange	(296)	-
Net exposure to foreign currency	(135)	2,156

2008	**US Dollars $'000**	**British Pounds $'000**
Assets denominated in foreign exchange	36	2,202
Liabilities denominated in foreign exchange	(136)	-
Net exposure to foreign currency	(100)	2,202

Sensitivity analysis foreign exchange risk
As at 31 December 2009 if exchange rates on financial assets and liabilities had been 10% higher or lower with all other variables held constant the impact on post tax profits and net assets would have been as follows:

	+10%/ -10% US Dollars $'000	+10%/ -10% British Pounds $'000
Effect on Profit and Equity	(11)/13	117/(96)

(c) Exposure to price risk
Price risk is the risk of loss resulting from the decline in prices of equity securities or other assets. The Company is exposed to the price risk because of its investments in publicly traded equity and debt securities.

The price risk is managed by diversification of the investment portfolio, which is done in accordance with the limits set by the investment mandates and monitored by the CIGNA Corporation Limited Investment Committee.

Sensitivity analysis price risk on public traded equity
As at 31 December 2009 if the price on equities was to increase or decrease by 10% with all other variables held constant the impact on post tax profits and net assets would have been as follows:

	10% -10% $'000
Effect on Profit and Equity	442/(442)

(d) Credit risk exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The maximum credit risk for financial assets is the carrying amount less, where applicable, any provision for doubtful debts. As at 31 December 2009 (2008: nil) there was no significant credit risk exposure to one single entity, other than the normal clearing house exposure associated with dealings through recognised exchanges. It is Company policy that all customers who wish to trade on credit terms are subject to credit verification procedures. With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents insurance and investment debtors, sundry debtors and related party loans and receivables, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Company.

No financial assets are held as collateral, security or other credit enhancements.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates.

The Company use the services of an Asset Manager who has a mandate of only investing in assets of a minimum S&P rating of A, or an equivalent rating as detemined by the Manager if no such S&P Rating is available.

Analysis of past due but not impaired and impaired financial assets is disclosed in Note 13.

None of the financial assets that are fully performing have been renegotiated in the past year.

30 Related party information

The Company is a wholly owned subsidary of CIGNA APAC Holdings Limited. It's ultimate parent company is CIGNA Incorporated. All members of the Group are considered to be related parties of the Company.

	2009	2008
a) Key management personnel compensation	**$'000**	**$'000**
Salaries and other short term benefits	1,752	2,212
Post employment benefits	251	220
Directors fees	-	-

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise). The Company considers the Directors and Senior Management team as Key Management Personnel.

		2009	2008
b) Transactions with other related companies		**$'000**	**$'000**
CIGNA Global Reinsurance Company Limited	Net Reinsurance premiums paid	(1,211)	(753)
CIGNA Global Reinsurance Company Limited	Reinsurance ceded reserves	146	147
CIGNA Global Reinsurance Company Limited	Claims on reinsurance received	1,099	366
CIGNA Taiwan Life Insurance Company NZ Limited	Net Reinsurance premiums paid	(202)	(116)
CIGNA Taiwan Life Insurance Company NZ Limited	Claims on reinsurance received	140	70
CIGNA International Marketing Australia	Intercompany loan	59	61
CIGNA International Corporation - Hong Kong	Management services/system charges	(672)	(461)
CIGNA International Corporation - Hong Kong	Recharge of goods and services	25	-
CIGNA International Corporation - Singapore Branch	Recharge of goods and services	(8)	189
CIGNA International Corporation	Recharge of goods and services	(152)	209
CIGNA International Marketing (Thailand)	Intercompany loan and Interest	22	55
CIGNA International Marketing (Thailand)	Partial repayment of loan	239	340
CIGNA APAC Holdings Limited	Intercompany loan and Interest	46	1,471
CIGNA APAC Holdings Limited	Partial repayment of loan	1,655	20,000
CIGNA APAC Holdings Limited	Recharge of goods and services	2,231	844
CIGNA Taiwan Life Insurance Company NZ Limited	Intercompany loan and Interest	22	56
CIGNA Taiwan Life Insurance Company NZ Limited (Branch)	Recharge of goods and services	-	46

Intercompany loans are repayable on demand, the Thailand loan has an interest rate equal to the New Zealand Inland Revenue FBT rate as at 31 December 2009 6.0% (2008: 10.57%), while the APAC and Taiwan loans are based on the official cash rate as at 31 December 2009 2.5% (2008: 5.00%).

		2009	2008
c) Related party balances outstanding			
Receivables			
CIGNA International Marketing Australia	Intercompany loan	1,671	1,612
CIGNA International Marketing (Thailand) Limited	Intercompany loan	222	439
CIGNA International Corporation - Hong Kong	Recharge of goods and services	15	-
CIGNA APAC Holdings Limited	Intercompany loan	-	1,655
CIGNA APAC Holdings Limited	Recharge of goods and services	39	631
CIGNA Taiwan Life Insurance Company NZ Limited	Intercompany loan	804	782
CIGNA Taiwan Life Insurance Company NZ	Claims on reinsurance	218	79
CIGNA Taiwan Life Insurance Company NZ Limited (Branch)	Recharge of goods and services	46	46
CIGNA Global Reinsurance Company Limited	Claims and commission on reinsurance	661	235
Payables			
CIGNA Global Reinsurance Company Limited	Reinsurance premiums	(311)	(286)
CIGNA International Corporation - Hong Kong	Recharge of goods and services	(185)	(181)
CIGNA International Corporation	Recharge of goods and services	(111)	(56)
CIGNA Taiwan Life Insurance Company NZ	Reinsurance premiums	(337)	(135)

Related party loans

Provision for doubtful loan repayments have been fully provided for the following loans.

CIGNA International Marketing Australia	Intercompany loan	(1,671)	(1,612)

31 Subsequent events

In May 2010 the Government announced a reduction in the corporate income tax rates from 30% to 28%, effective for the 2011 income tax year. The impact of the change has yet to be quantified.

The dividend declared and partially paid in December 2009 has subsequently been fully paid.

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the shareholders of Cigna Life Insurance New Zealand Limited

We have audited the financial statements on pages 1 to 31. The financial statements provide information about the past financial performance and cash flows of the Company for the year ended 31 December 2009 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 5 to 11.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205 (1) of the Companies Act 1993. 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 auditors' 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company as at 31 December 2009 and its financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

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

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

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

We have no relationship with or interests in the Company other than in our capacity as auditors.

PRICEWATERHOUSECOOPERS

Auditors' Report
Cigna Life Insurance New Zealand Limited

Unqualified Opinion

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

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 1 to 31:

  (i) comply with generally accepted accounting practice in New Zealand;

  (ii) comply with International Financial Reporting Standards; and

  (iii) give a true and fair view of the financial position of the Company as at 31 December 2009 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 20 September 2010 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Wellington