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Cigna Life Insurance New Zealand Limited

Financial Statements
For the year ended 31 December 2015

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Cigna Life Insurance New Zealand Limited

Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Premium revenue			
Premium revenue from insurance contracts	2	83,365	79,778
Outwards reinsurance expense	2	(3,244)	(2,872)
Net premium revenue		80,121	76,906
Other revenue			
Investment revenue	11	7,807	8,010
Fee and other revenue		445	160
Net other revenue		8,252	8,170
Payments under policies			
Claims expense	3	(26,308)	(28,333)
Inwards reinsurance	3	1,644	1,871
Net claims expense		(24,664)	(26,462)
Change in policyholder liabilities	6	(219)	(7,559)
Other expenses	4	(49,147)	(44,745)
Net claims and operating expenses		(74,030)	(78,766)
Profit before tax		14,343	6,311
Income tax expense	13	(7,359)	(850)
Profit after tax		**6,984**	**5,461**
Other comprehensive income		-	-
Total comprehensive income attributable to the shareholders of CIGNA Life Insurance NZ Ltd	1	**6,984**	**5,461**

The notes on pages 6 to 23 are an integral part of these financial statements.

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Cigna Life Insurance New Zealand Limited

Statement of Changes in Equity
For the year ended 31 December 2015

	Share capital $'000	Retained earnings $'000	Total $'000
Opening Balance as at 1 January 2014	**500**	**139,618**	**140,118**
Total comprehensive income 2014	-	5,461	5,461
Transactions with owners			
Dividend paid	-	-	-
Balance 31 December 2014	**500**	**145,079**	**145,579**
Total comprehensive income 2015	-	6,984	6,984
Transactions with owners			
Dividend paid	-	(10,000)	(10,000)
Balance 31 December 2015	**500**	**142,063**	**142,563**

All 500,000 ordinary shares (2014: 500,000) are ranked equally with one vote attached to each fully paid up ordinary share. There is no par value attached to the shares.

The notes on pages 6 to 23 are an integral part of these financial statements.

Cigna Life Insurance New Zealand Limited

Statement of Financial Position

As at 31 December 2015

	Note	2015 $'000	2014 $'000
Assets			
Current assets			
Cash and cash equivalents		4,178	13,647
Term deposits	12	29,900	32,409
Insurance receivables	5	6,166	5,791
Other receivables	14	4,410	3,855
Financial assets at fair value through profit or loss	12	114,783	102,283
Policy loans		231	257
Non-current assets			
Property, plant and equipment	15	2,630	989
Intangible assets	16	705	1,640
Deferred tax asset	13	17,145	20,732
Total Assets		**180,148**	**181,603**
Liabilities			
Current liabilities			
Accounts payable	17	7,195	7,753
Employee entitlements		2,901	2,645
Other liabilities		45	235
Insurance liabilities	8	12,383	13,311
Non-current liabilities			
Deferred tax liability	13	41,671	37,899
Policyholder liabilities	6	(26,610)	(25,819)
Total Liabilities		**37,585**	**36,024**
Net Assets		**142,563**	**145,579**
Equity			
Contributed equity		500	500
Retained earnings		142,063	145,079
Total Equity		**142,563**	**145,579**

These financial statements were authorised for issue on behalf of the board by:

Director   **Date** 26 April 2016

Director   **Date** 26 April 2016

The notes on pages 6 to 23 are an integral part of these financial statements.

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Cigna Life Insurance New Zealand Limited

Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Premiums received		83,367	80,003
Reinsurance received		1,030	2,178
Interest received		7,146	5,494
Dividends received		85	97
Fee income		445	160
Claims expenses		(27,298)	(25,893)
Reinsurance paid		(3,441)	(2,539)
Payments to suppliers and employees		(38,805)	(30,582)
Commissions paid		(9,889)	(10,351)
Inflow from life investment policyholders		200	119
Outflow to life investment policyholders		(1,210)	(987)
Net cash inflow from operating activities		**11,630**	**17,699**
Cash flows from investing activities			
Outflow from purchase of property, plant and equipment		(2,124)	(760)
Inflow from sale of intangible assets		-	-
Outflow from purchase of intangible assets		(85)	(334)
Inflow from sale of investments		136,444	33,405
Outflow from purchase of investments		(145,334)	(42,103)
Cash (outflow) from investing activities		**(11,099)**	**(9,792)**
Cash flows from financing activities			
Dividend payment		(10,000)	-
Net cash (outflow) from financing activities		**(10,000)**	**-**
Net (decrease) increase in cash and cash equivalents		**(9,469)**	**7,907**
Cash and cash equivalents at beginning of year		13,647	5,740
Cash and cash equivalents at end of year		**4,178**	**13,647**
Cash is represented by:			
Cash at bank and in hand		4,178	13,647
Cash and cash equivalents at end of year		**4,178**	**13,647**

The notes on pages 6 to 23 are an integral part of these financial statements.

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Cigna Life Insurance New Zealand Limited

Statement of Cash Flows continues

For the year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Operating activities reconciliation			
Profit after tax		**6,984**	**5,461**
Non-cash items			
Depreciation expense		508	315
Impairment expense		(25)	440
Amortisation expense		1,020	1,011
Deferred tax asset movement		3,587	(2,551)
Deferred tax liability movement		3,772	3,401
Net unrealised fair value losses (gains) on financial assets at fair value through profit or loss		(16)	(1,563)
Change in policyholder liabilities		(791)	5,115
Changes in working capital items			
Receivables		(930)	555
Payables		(492)	2,548
Insurance liabilities		(928)	2,968
Policy loans		26	(2)
Items classified as investing activities			
Net realised fair value (gain) loss on financial assets at fair value through profit or loss		(1,085)	(10)
Disposal of property, plant & equipment		-	11
Net cash inflow from operating activities		**11,630**	**17,699**

The notes on pages 6 to 23 are an integral part of these financial statements.

These are the Financial Statements of Cigna Life Insurance New Zealand Limited (the Company).

The Company is a profit oriented entity incorporated and domiciled in New Zealand, it was incorporated on 13 December 1967.
The address of its registered office is Level 24, Majestic Centre, 100 Willis Street, Wellington, New Zealand.

The Company's principal products and services comprise the selling and administration of health and life insurance, life investment and travel insurance contracts. The Company also acts as a reinsurer for certain life insurance and credit card insurance contracts.
The Company was granted a licence by the Reserve Bank of New Zealand ("RBNZ") on 12 August 2013 to operate as an insurer subject to the Insurance (Prudential Supervision) Act 2010 ("IPSA"). As a consequence of being a licensed insurer, the Company is deemed to be an issuer under the Financial Reporting Act 2013.

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. Unless necessary to explain accounting policy choices or to add further information, we have not included accounting policy wording where it is otherwise consistent with the standards.

These financial statements are prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

Unless otherwise stated, all amounts are rounded to $000's and are expressed in New Zealand Dollars, which is the Company's presentation and functional 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.

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 those two elements and reported accordingly. For example, for investment products that include a life insurance rider, figures relating to the investment portion (such as deposits) are reported under 'life investment' whist figures relating to the insurance portion (such as claims) are reported under 'life insurance'. Where it is not practicable to separate the two elements, the contract will be recognised as a life insurance contract and the value of the policyholder liability will be set to the value of the supportable assets.

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 benefits in any scenario, excluding scenarios that lack commercial substance. 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.

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 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.

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. The critical accounting judgements that may materially impact the financial statements are detailed together with the associated critical accounting estimates over the remainder of these notes.

The subsequent notes are set out in the following main categories:

- a Insurance profit
- b Insurance Liabilities
- c Investments
- d Non Financial Assets and Liabilities & Taxation
- e Risk
- f Unrecognised Items & Other Information

a Insurance Profit

This note provides information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity, including:
- an analysis of net profit
- a breakdown of revenue by type
- a breakdown of claims expenses by type
- other expenses split between acquisition cost and maintenance cost
- premium income still owing at balance date
- specific accounting policies where relevant

1 Analysis of net profits

This note compares the planned profit margin release (on existing business as at 31 December 2014 and new business written over 2015) with the actual profit.

		Note	2015 $'000	2014 $'000
	Item:			
A	Planned profit margins (net of tax)		7,775	8,529
B	Experience profits		(7,252)	(6,876)
C	Assumption Change (Economic)		(2,029)	(4,543)
D	Capitalised gains		413	759
E	Investment earnings on retained profits		8,077	7,593
	Net profit after tax (=A+B+C+D+E)		6,984	5,461

The planned profit for 2015 was $7.8m, with most of this coming from the Statutory Fund.

The unfavourable experience profits for the Statutory Fund was due to higher expenses and lapses than expected, as well as lower returns on assets backing the policyholder liabilities than expected, partially offset by claims being lower than expected. The negative experience profit for Shareholder Fund is partly due to the reduction in the tax asset and also high expenses for non-life business.

The negative impact on planned profit from assumption changes is largely due to the increase in the expense inflation assumption (from 2.5% p.a. to 3.0% p.a.). Lower valuation discount rates (due to lower forecasts of future returns on assets) also increased the policyholder liability, thereby reducing actual profit.

The profit from investment earnings on retained profits is large because this item does not form part of planned profit margins (net of tax).

2 Premium revenue

Revenue is categorised and recognised using the methods outlined below.

	Note	2015	2014
Insurance premium revenue			
Life insurance premiums		64,261	61,436
Life reinsurance premiums		11,662	11,615
Life investment premiums		245	41
Travel insurance premiums		7,442	6,727
Total premiums		83,610	79,819
Less			
Deposits recognised as an increase in policyholder liabilities	6	200	119
Fee and other income recognised in premium income		(445)	(160)
Life premiums recognised as revenue		83,365	79,778
Outwards reinsurance premiums		(3,244)	(2,872)
Net premium revenue from insurance contracts		80,121	76,906

Accounting for revenue from major business activities

Life premium revenue

Premium revenue is earned on life insurance contracts. Premiums with a regular due date are recognised on a due date basis. Deposit components of life insurance contracts are not revenue and are treated as movements in policyholder liabilities. Where it is not practicable to split out the insurance and investment elements of a contract, all premiums have been recognised as revenue. The proportion of premiums not earned in the statement of comprehensive income at the reporting date is recognised in the balance sheet as unearned premium liability within the policyholder liabilities balance.

Life reinsurance revenue

Life reinsurance premiums are earned when due. Premiums with a regular due date are recognised on a due date basis and any irregular premiums are recognised as per the specific terms of their contracts. The proportion of premiums not earned at the reporting date is recognised in the balance sheet as unearned premium liability within policyholder liabilities.

Travel premium revenue

Premium revenue from travel insurance contracts are recognised over the period the policyholder travels. The proportion of premiums not recognised in the statement of comprehensive income at the reporting date is recognised in the balance sheet as unearned premium liability within policyholder liabilities.

3 Payments under policies

	Note	2015	2014
Claims expense			
Life insurance claims (net of reinsurance)		21,005	21,856
Life investment contract payments (withdrawals)		450	275
Life investment contract claims (withdrawals)		760	712
Travel insurance claims (net of reinsurance)		3,659	4,606
Total claims (net)		25,874	27,449
Withdrawals recognised as a decrease in policyholder liabilities	6	(1,210)	(987)
Inwards reinsurance revenues		1,644	1,871
Total gross claims through profit and loss		26,308	28,333

Payments under policies continued

Accounting for claims from major business activities

Life insurance contracts

Claims incurred relate to life insurance contracts and are treated as expenses. 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.

Claims in respect of 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.

Provision has been made for the estimated cost of all claims notified but not settled at balance date, as well as 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.

Travel insurance contracts

Claims expenses are recognised when claims are notified with the exception of claims incurred not reported for which a provision is estimated.

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. 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.

4 Other expenses

Other expenses are also incurred for the operation of the business in relation to the acquisition and maintenance of life insurance and life investment contracts.

	Note	2015 $'000	2014 $'000
Policy acquisition costs - life insurance contracts			
Commission		889	1,035
Other solicitation and acquisition costs		23,838	17,909
Total policy acquisition costs		24,727	18,944
Policy maintenance costs			
Commission		9,226	8,550
Life insurance contracts		15,094	17,186
Investment management expenses		100	65
Total maintenance expenses		24,420	25,801
Total other expenses		49,147	44,745

Acquisition costs are the costs of acquiring new business, including commissions, distribution costs and costs of accepting, issuing and initially recording policies. Maintenance costs are the costs of administrative policies subsequent to sale, and maintaining the Company's operations such as that they are sufficient to service in-force policies. See note 18 for an analysis of expense by nature.

Acquisition expenses have increased significantly due to higher spend on acquiring new business, which is expected to be recovered over several years through renewal premiums. In addition, the unearned premium reserve is calculated assuming that premiums are recognised half way through the premium billing period.

5 Insurance receivables

Insurance receivables relate to amounts due to the Company in the ordinary course of business. The carrying value of insurance receivables approximates the fair value as they are settled within a short period.

	Note	2015	2014
Outstanding premiums		4,200	4,494
Related party reinsurance recoveries	23	911	856
Reinsurance recoveries		1,055	441
Total insurance receivables (current)		6,166	5,791

Insurance receivables past due but not impaired

The Company considers that insurance receivables 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 is $419k (2014: $342k).

In addition to the above past due balances the Company has impaired assets of $59k (2014: $47k) against which it holds a provision for impairment totalling $59k (2014: $47k).

Premium amounts that are due and do not have surrender values to offset the premium are lapsed after three months of non-payment. Lapsed outstanding premiums are written off to the Statement of Comprehensive Income, as a debit against premium revenue.

b Insurance Liabilities

This note provides information about the Company's contract liabilities, including:
- estimates and judgements used
- policy holder liability calculations and components
- disaggregated information of the profit and loss and the balance sheet splitting the figures between investment and non investment
- insurance liability breakdown and assumptions
- Statutory fund breakdown
- Solvency margin

6 Critical Accounting Estimate: Policyholder liabilities

Life insurance contract liabilities are computed by the Appointed Actuary 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.

Actuarial Assumptions and Methods
The Company's actuarial reports for the years ended 31 December 2014 and 31 December 2015 were prepared by the Appointed Actuary, Nathan Thomas BSc(Hons), BCA, FNZSA, FIA. The actuarial reports indicate that the Appointed Actuary is satisfied as to the accuracy, nature and sufficiency of the data upon which the policy liabilities have been determined.

(a) Disclosure of methods

Policyholder 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 20, Determination of Life Insurance Policy Liabilities, (PS20) aside from certain product groups which use the Accumulation Method.

Margin on Services - Projection Method
The "projection method", recommended under Appendix C of NZ IFRS 4, uses expected cash flows (premiums, investment income, redemptions or benefit payments, taxes, expenses and profits) based on best estimate assumptions, to establish the value of policy liabilities. This includes an allowance for planned profits. Profit margins are released over each reporting period in line with the services that have been provided.

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

The Accident & Health, Revolving Credit, Income Protection, Travel, Identity Theft and Pet products have been valued using the accumulation method. The results from using the accumulation method rather than the projection method are not expected to be materially different.

Life investment contract liabilities
Life investment contracts are no longer actively sold and the liabilities (Capital Guaranteed Investment, Unitised Investment) 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 contributions received less any surrender penalties.

(b) Disclosure of assumptions
Actuarial assumptions about future experience are required for calculating policy liabilities. The assumptions used for the accumulation method are the same as those used for the projection method where they are required. For the deferred acquisition cost, the key assumption is the lapse rate, which drives the rate at which the reserve runs off. In addition, the unearned premium reserve used in the accumulation method assumes that premiums are recognised half way through the premium billing period.

The assumptions used were best estimate assumptions signed off by the Appointed Actuary. The key assumptions were:

i. Profit Carriers
Where the policy liability is determined by the projection method, Appendix C of NZ IFRS 4 and 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". The profit carriers used for the related product groups ("RPG's") in order to achieve the systematic release of planned margins were as follows:

Life RPG's	Profit Carriers
Traditional With-Profit (Whole of Life, Endowment)	Value of bonus
Traditional Non-Profit (Whole of Life, Permanent Term)	Not applicable (in loss)
MRI (Mortgage Repayment Insurance) Term Life	Expected death claims
Level & Decreasing Term Life	Expected death claims
Yearly Renewable Term (YRT) Life	Expected death claims
Funeral Cover	Expected death claims

MRI is a small closed block of business which now has a zero profit margin compared to last year due to changes in assumptions. Traditional Non-Profit business is also closed to new business. This product started with zero profit margin in 2014, but due to an increase in the lapse rate assumption, the profit margin returned to positive.

6 Critical Accounting Estimate: Policyholder liabilities continued

ii. Risk Discount Rates

RPG's	Discount Rate Basis	Risk Discount Rates (p.a.) *(after tax and investment*	
		2015	2014
Traditional With-Profit	Earnings *	3.30%	3.18%
Traditional Non-Profit	Risk Free	3.26%	3.18%
MRI Term Life	Risk Free	1.84%	2.53%
Level & Decreasing Term Life	Risk Free	2.51%	2.57%
Yearly Renewable Term (YRT) Life	Risk Free	2.51%	2.57%
Funeral Cover	Risk Free	2.51%	2.57%
Accident & Health, Revolving Credit	Risk Free	2.09%	2.53%
Income Protection	Risk Free	2.09%	2.53%

** The current asset mix is assumed to continue into the future.*

iii. Expense Inflation & Benefit Indexation Rates

Allowance for future expense inflation of 3.0% p.a. (2014: 2.5% p.a.) is assumed. The company has removed the productivity gain (0.5% for 2014) and instead incorporated this into the expense assumption. Productivity gains are better reflected as a non-economic assumption through the expense assumption, as it is determined specifically for the Company. This change is a reallocation rather than a true assumption change.

Policies with indexation benefits that are not fixed or set equal to CPI, but still protect the real value of cover against inflation, are assumed to increase sums assured at a rate of 5.0% p.a. (2014: 2.5% p.a.). The increase in the assumption is a result of a review of the benefit indexation practice in the Company conducted in 2015. The outcome of the review was to offer relevant policyholders a default 5% p.a. increase to sums assured with the option to choose a CPI increase instead. The increase in the assumption reflects the default offer.

iv. Expenses

PS20 states that maintenance 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. Expenses considered to be "one-off" may be excluded.

Future maintenance expenses have been assumed at current levels, increased by the rate of expense inflation set out above (3.0% p.a.).

Future investment expenses have been assumed to be at the same percentage of assets under management as currently applies. These rates for the last two years are shown in the table below:

Asset Class	Investment Management Fee Assumptions (p.a)	
	2015	2014
Cash	0.00%	0.00%
Fixed Interest	0.10%	0.10%
NZ Equities	1.05%	1.05%
Overseas Equities	1.19%	1.23%

Acquisition costs are based on actual experience incurred in the year for new business and do not include any costs of general growth and development.

v. Tax Rates and Basis

The tax rate for 2015 is 28% for all classes of business (unchanged from 2014) and this has been assumed for future years with no change to the assumed tax basis from 2015. There is no utilisation of tax losses assumed in the valuation of policyholder liabilities.

vi. Mortality and morbidity

Term Life Excluding Funeral Cover

The projected rates of claims reflect current experience and are based on the latest New Zealand standard mortality tables released by Gen Re and the NZ Society of Actuaries in 2012. The proportion of each table adopted was based on recent actuarial investigations carried out by actuarial personnel of the Company.

Other 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 actuarial personnel of the Company.

Processes

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 four years (at least) 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.

vii. Rates of discontinuance

Future rates of discontinuance from lapses, cancellations or surrender assumed for the major classes of business are primarily based on investigations of the Company's own experience. The valuation assumptions were last reviewed for 31 December 2015 and are summarised below with the comparative figures for 2014.

Year End Valuation Lapse Rate Assumptions		
RPG's	2015	2014
Traditional With-Profit*	1.9%	5.5%
Traditional Non-Profit	2.0%	1.0%
MRI Term Life	0.1%	0.5%
Level & Decreasing Term	2.7%	2.2%
Yearly Renewable Term	11.0%	11.2%
Funeral Cover	6.5%	7.1%
Accident & Health	12.9%	11.3%
Revolving Credit	14.7%	14.8%
Income Protection	28.4%	30.7%

*Due to a correction in the underlying data used for the lapse investigation for Traditional With-Profit, the lapse assumption has dropped significantly compared to the prior year.

6 Critical Accounting Estimate: Policyholder liabilities continued

viii. Surrender value
Future policy surrender values, which are only applicable for Traditional products, are projected using the sums assured, mortality assumptions based on the UK Life Table A49-52 Ult (1949 to 1952 ultimate) and an interest rate of 5%. The numbers of surrenders are projected using best estimate lapse assumptions as shown above.

ix. 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.

x. Future participating benefits
Assumed future supportable reversionary bonus rate for the major classes of conventional Traditional With-Profit individual participating business was calculated to be 1.87% p.a. (2014: 2.42% p.a.). This rate is in addition to contractual returns on participating policies.

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.

The declared bonuses for participating policies are also determined based on underlying returns on assets and notional asset allocation.

xi. Capital Guaranteed Interest Crediting policy
The declared crediting rate on investment capital guaranteed policies is set by the actuarial team and is based on returns on the underlying assets, a notional asset allocation and an allowance for fees. Regard is given to the smoothing account, with the aim of keeping it positive.

Effects of changes in actuarial assumptions from 31 December 2014 to 31 December 2015

	Effect on Future Profit Margins $'000	Effect on Policy Liability* $'000
Assumption Category	**Increase/(decrease)**	**Increase/(decrease)**
Mortality and Morbidity rates	1,201	25
Lapse (cancellation) rates	8,918	725
Economic assumptions	599	2,078
Expense level	-31	26
Methodology Change (benefit escalation rate)	15,575	0
Total	**26,262**	**2,854**

** Note that the effect on policy liability excludes the impact from the change in the supportable bonus rate that would offset the impact from the assumption changes for Traditional With-Profit business.*

The change in benefit escalation rate increased from 2.5% pa to 5% pa as discussed above. The impact on the policy liability is significant because of the compounding nature of the assumption (5% increase in sum assured each year for a portion of policyholders).

Sensitivity Analysis

The Company conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables such as the valuation interest rate, mortality, morbidity and inflation. The valuations included in the reported results 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
1. Expense Risk	An increase in the level or inflationary growth of renewal or maintenance expenses over assumed levels will decrease profit and shareholder equity.
2. Market (Interest/Discount 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 movement in assets and liabilities, to the extent that these are not matched. Sensitivity testing performed measures the impact from the liability side only. 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 through changes in interest rates and discount rates.
3. Mortality & Morbidity Risk	For insurance contracts, providing death benefits, greater mortality rate would lead to higher levels of claims occurring sooner than anticipated, increasing associated claims cost and therefore reducing profit and shareholder equity. For insurance contracts providing disability benefits, a greater morbidity rate would lead to higher levels of claims occurring sooner than anticipated, increasing associated claims cost and therefore reducing profit and shareholder equity.
4. Lapse (Cancellation) Risk	The impact of the lapse 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 lapse rates.

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 as at 31 December 2015 would have impacted the reported profit and equity of the business:

Changes in Variable	Movement	Increase in Policy Liabilities	Decrease in Shareholder Profit After Tax and Equity
		NZ $'000	NZ $'000
1. Expenses Per Policy (Maintenance	Deterioration by 10%	135	-135
2. Discount Rate	Deterioration by 1 percentage point (net of taxes, fees)	10,274	-10,274
3. Mortality/morbidity	Deterioration by 10%	88	-88
4. Lapse (Cancellation) Rates	Deterioration by 10%	1,331	-1,331

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6 Critical Accounting Estimate: Policyholder liabilities continued

The impacts shown above are not necessarily linear. 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. We have assumed there is no change to the supportable bonus rate for Traditional with Profit business in the sensitivity results shown.

The Company has designated life investment contract liabilities at fair value through profit or loss. The impact on the fair value of these liabilities resulting from changes in credit risk recognised during the year is nil (2014: Nil), except where the fair value of investment assets backing these liabilities is impacted by changes in credit risk. Any such impact on the investment assets is reflected in the movement in the fair value of these contracts.

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

The net inflows below are the present values of future premiums less the future policy benefits, transfers and non investment linked business.

	Note	2015 $'000	2014 $'000
Movements in policyholder liabilities			
Net policyholder liabilities at the end of the year		(26,610)	(25,819)
Net policyholder liabilities at the end of the previous year		(25,819)	(32,510)
Net change in policyholder liabilities		(791)	6,691
Net change in policyholder liabilities as above		(791)	6,691
Deposits recognised as an increase in life investment policy liabilities		200	119
Withdrawals recognised as a decrease in life investment policy liabilities		(1,210)	(987)
Net (decrease) in policyholder liabilities as per Statement of Comprehensive Income		219	7,559
Components of policyholder liabilities			
Life insurance contract liabilities:			
- Value of future profits		119,730	87,751
- Value of future policy benefits, transfers & non investment linked business		420,469	356,006
- Value of future charges for acquisition cost		(23,184)	(22,449)
- Value of future expenses		117,136	104,606
- Value of DAC tax separately recognised		(41,671)	(37,899)
- Value of (balance of) future premiums		(625,585)	(520,931)
		(33,105)	(32,916)
Life investment contract liabilities:			
- Value of future policy benefits		6,495	7,099
Net policyholder liabilities as per Statement of Financial Position		(26,610)	(25,819)
Value of policy benefits subject to capital guarantees included in policy liabilities			
- In respect of contracts with discretionary participation features		5,774	5,787
- In respect of investment-linked contracts		3,509	3,786
- In respect of any other contracts not addressed above, the amount of the current termination values.		-	-
Total		9,283	9,573
Life Insurance Contract Liabilities Future Net Inflows			
- Under one year		33,389	29,027
- Between one and five years		88,880	75,118
- Greater than five years		82,847	60,780
Total		205,116	164,925

Liability adequacy test

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.

7 Disaggregated information

	2015			2014		
	Investment Linked	Non-Investment Linked	Total	Investment Linked	Non-Investment Linked	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Statement of Financial Position						
Cash and cash equivalents	1,437	2,741	4,178	1,551	12,096	13,647
Short-term investments	-	29,900	29,900	-	32,409	32,409
Insurance receivables	-	6,166	6,166	-	5,791	5,791
Other receivables	-	4,410	4,410	-	3,855	3,855
Financial assets at fair value through profit or loss (current and non current)	5,058	109,725	114,783	5,547	96,736	102,283
Policy loans	-	231	231	-	257	257
Property, plant and equipment	-	2,630	2,630	-	989	989
Intangible assets	-	705	705	-	1,640	1,640
Deferred tax asset	-	17,145	17,145	-	20,732	20,732
Trade and other payables	-	(7,195)	(7,195)	-	(7,753)	(7,753)
Employee Entitlements	-	(2,901)	(2,901)	-	(2,645)	(2,645)
Other liabilities	-	(45)	(45)	-	(235)	(235)
Insurance liabilities	-	(12,383)	(12,383)	-	(13,311)	(13,311)
Deferred tax liability	-	(41,671)	(41,671)	-	(37,899)	(37,899)
Policyholder liabilities	(6,495)	33,105	26,610	(7,099)	32,918	25,819
Retained earnings and contributed equity	-	(142,563)	(142,563)	-	(145,579)	(145,579)

7 Disaggregated information continued

	2015			2014		
	Investment Linked	Non-Investment Linked	Total	Investment Linked	Non-Investment Linked	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Statement of Comprehensive Income						
Net premium revenue	-	80,121	80,121	-	76,906	76,906
Fee and other revenue	115	330	445	113	47	160
Net claims and operating expenses	(695)	(73,335)	(74,030)	(653)	(78,113)	(78,766)
Investment revenue	444	7,363	7,807	416	7,594	8,010
Profit / (loss) before tax	(136)	14,479	14,343	(123)	6,434	6,311
Income tax expense	(38)	(7,321)	(7,359)	(35)	(815)	(850)
Profit / (loss) after tax	(174)	7,158	6,984	(158)	5,619	5,461
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income / (loss)	(174)	7,158	6,984	(158)	5,619	5,461

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.

8 Critical Accounting Estimate: Insurance liabilities

A provision is made at the period end for the estimated cost of claims reported but not settled at the balance sheet date and the cost of claims incurred But Not Reported (IBNR) to the Company. The estimated cost of claims includes some allowance for direct expenses to be incurred in settling claims and allows for any material reinsurance or other recoveries. The outstanding reported claims reserve is based on case estimates at the individual policy level.

The estimation of claims 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.
In calculating the estimated cost of claims reported but not settled, the Company uses case estimates where possible. For IBNR claims reserves, the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which, subject to the points made below, assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made 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.

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 where material.

	Note	2015 $'000	2014 $'000
Claims under policies in the process of settlement		9,974	11,126
Claims incurred but not reported		2,409	2,185
Total insurance liabilities (current)		12,383	13,311

The carrying value of insurance liabilities approximate the fair value, as they are settled within a short period.

9 Statutory Fund

As required by the Insurance (Prudential Supervision) Act 2010 (the "Act"), the Company has established a statutory fund in respect of its life insurance business - Cigna Statutory Fund Number 1 ("The Fund").
The purpose of a statutory fund is to ensure that the funds received and paid out in respect of life insurance policies are separately identifiable as being part of the statutory fund. The assets of the Fund are only available for the life insurance business. In addition the assets of the Fund enjoy certain protections under the Act which are designed to ensure that the interests of holders of life insurance policies are given certain priority over the interests of other parties, such as unsecured creditors.

As at 31 December 2015 there are no other restrictions on the use of assets invested for policyholder benefits, nor any restrictions on legal titles to assets.

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9 **Statutory Fund Continued**

The Statement of Financial Position and Statement of Comprehensive Income as split by fund, are broken down as follows:

	2015			2014		
	Statutory Fund $'000	Shareholder Fund $'000	Total $'000	Statutory Fund $'000	Shareholder Fund $'000	Total $'000
Statement of Financial Position						
Assets						
Cash and cash equivalents	2,194	1,984	4,178	8,408	5,239	13,647
Term investments (current and non-current)	-	29,900	29,900	31,809	600	32,409
Insurance receivables	5,678	488	6,166	5,328	463	5,791
Other receivables	1,400	3,010	4,410	402	3,453	3,855
Financial assets at fair value through profit or loss	109,484	5,299	114,783	71,557	30,726	102,283
Policy loans	231	-	231	257	-	257
Property, plant and equipment	-	2,630	2,630	-	989	989
Intangible assets	61	644	705	574	1,066	1,640
Deferred tax asset	-	17,145	17,145	-	20,732	20,732
Less Liabilities						
Accounts payable	2,967	4,228	7,195	1,980	5,773	7,735
Employee entitlements	-	2,901	2,901	-	2,645	2,645
Other liabilities	53	(8)	45	531	(296)	235
Insurance liabilities	11,621	762	12,383	11,965	1,346	13,311
Deferred tax liability	41,671	-	41,671	37,899	-	37,899
Policyholder liabilities	(26,856)	246	(26,610)	(26,008)	189	(25,819)
Retained earnings and contributed equity	**89,592**	**52,971**	**142,563**	**91,968**	**53,611**	**145,579**
Statement of Comprehensive Income						
Income						
Net premium revenue	72,655	7,466	80,121	70,151	6,755	76,906
Fee and other revenue	115	330	445	114	46	160
Investment revenue	5,912	1,895	7,807	5,258	2,752	8,010
Less Expenses						
Net claims and operating expenses	67,414	6,616	74,030	70,807	7,959	78,766
Profit before tax	11,268	3,075	14,343	4,717	1,594	6,311
Less Income tax expense	3,772	3,587	7,359	-	850	850
Profit (loss) after tax	7,496	(512)	6,984	4,717	744	5,461
Add Other comprehensive income	-	-	-	-	-	-
Total comprehensive income (expense)	7,496	(512)	6,984	4,717	744	5,461

10 **Solvency Margin**

Solvency requirements

Separate to policy liabilities recognised in the Statement of Financial Position, the Company maintains sufficient capital to meet solvency requirements. These are amounts required to provide protection against the impact of fluctuations and unexpected adverse circumstances on life insurance companies.

The Company maintains a solvency margin for both its statutory & shareholder fund, which is calculated as the difference between actual solvency capital and minimum solvency capital, as shown below. The methodology and bases for determining the solvency margin are in accordance with the Solvency Standard for Life Insurance Business issued by the Reserve Bank of New Zealand. The actual solvency capital exceeds the minimum requirements.

		Statutory Fund	Shareholder Fund	Cigna Life Insurance New Zealand Limited
As at 31 December 2015		$'000	$'000	$'000
Actual solvency capital	(A)	89,147	34,366	123,513
Minimum solvency capital	(B)	33,111	4,881	37,992
Solvency Margin	(A) - (B)	56,037	29,484	85,521
Solvency Ratio	(A) / (B)	269%	704%	325%
As at 31 December 2014				
Actual solvency capital	(A)	91,394	31,813	123,207
Minimum solvency capital	(B)	35,857	4,835	40,692
Solvency Margin	(A) - (B)	55,536	26,978	82,514
Solvency Ratio	(A) / (B)	255%	658%	303%

c Investments

This note provides further information about the investments held by the Company, outlining the return received and the categorisations of these assets, including:
- a breakdown of the investment revenue streams
- specific accounting policies where relevant
- Disaggregated information for those instruments considered to be most significant in the context of the Company's operations
- Information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

11 Investment revenue

	Note	2015 $'000	2014 $'000
Dividend income		85	97
Interest income		6,621	6,350
Net fair value (losses)/gains on financial assets designated at fair value through profit or loss		1,101	1,563
Total investment revenue		7,807	8,010
Total investment revenue by contract type:			
Life insurance contracts			
Income from:			
Managed investment funds		1,019	536
Fixed interest securities and cash		7,195	7,812
Total life insurance contracts investment revenue		8,214	8,348
Life investment contracts			
Income from:			
Managed investment funds - (losses)		(304)	(45)
Fixed interest securities and cash		(103)	(293)
Total life investment contracts investment (losses)		(407)	(338)
Total investment revenue		7,807	8,010

Accounting for investment income from major activities
Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income
Dividend income from financial assets is recognised in the Statement of Comprehensive Income as part of investment income when the Company's right to receive payment is established.

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

12 Financial instruments by categories

The Company has determined that financial assets are all assets held backing life insurance contracts and life investment contracts with the exception of property, plant and equipment, intangible assets and deferred tax assets. Such assets have been divided into two different categories measures; Loans and receivables and fair value through profit or loss, all financial liabilities are valued at amortised cost.

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.

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

	Loans and receivables	Designated at fair value through profit or loss	Financial liabilities at amortised cost	Total
As at 31 December 2015	$'000	$'000	$'000	$'000
Cash and cash equivalents	4,178	-	-	4,178
Term investments	29,900	-	-	29,900
Other receivables (excl prepayments)	2,860	-	-	2,860
Insurance receivables	6,166	-	-	6,166
Financial assets held at fair value through profit or loss	-	114,783	-	114,783
Policy loans	231	-	-	231
Trade and other payables	-	-	(7,195)	(7,195)
Employee Entitlements	-	-	(2,901)	(2,901)
Other liabilities	-	-	(45)	(45)
Insurance liabilities	-	-	(9,974)	(9,974)
Life investment contract liabilities	-	(6,495)	-	(6,495)
Total	43,335	108,288	- 20,115	131,508

12 Financial Instruments by categories continued

As at 31 December 2014	Loans and receivables	Designated at fair value through profit or loss	Financial liabilities at amortised cost	Total
	$'000	$'000	$'000	$'000
Cash and cash equivalents	13,647	-	-	13,647
Term investments	32,409	-	-	32,409
Other receivables (excl prepayments)	2,939	-	-	2,939
Insurance receivables	5,791	-	-	5,791
Financial assets held at fair value through profit or loss	-	102,284	-	102,284
Policy loans	257	-	-	257
Trade and other payables	-	-	(7,753)	(7,753)
Employee Entitlements	-	-	2,645	2,645
Other liabilities	-	-	235	235
Insurance liabilities	-	-	(11,126)	(11,126)
Life investment contract liabilities	-	(5,523)	-	(5,523)
Total	55,043	96,761	(23,269)	135,805

Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Fair value hierarchy

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

Level 1 - The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 2 financial instruments in the fair value hierarchy are recorded based on broker quotes and unit prices (2014: the same).

Level 3 - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December.

	2015				2014			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring measurements								
NZ Government Bonds	-	44,924	-	44,924	-	59,161	-	59,161
NZ Corporate Bonds	-	17,218	-	17,218	-	13,449	-	13,449
Australian Corporate Bonds	-	24,120	-	24,120	-	4,639	-	4,639
Canadian Corporate Bonds	-	6,642	-	6,642	-	-	-	-
European Corporate Bonds	-	17,961	-	17,961	-	18,874	-	18,874
Korean Corporate Bonds	-	611	-	611	-	605	-	605
NZ Managed Funds	-	1,718	-	1,718	-	3,074	-	3,074
European Managed Funds	-	1,589	-	1,589	-	2,482	-	2,482
Life investment contract liabilities	-	(6,495)	-	(6,495)	-	(7,099)	-	(7,099)
Total	-	108,288	-	108,288	-	95,185	-	95,185

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d Non-financial Assets and Liabilities & Taxation

This note provides further information about those non-financial assets, liabilities & taxation position that the Directors consider significant for an understanding of the Company's financial position and performance, including:
- income tax expense and deferred tax asset and liability breakdown
- relevant accounting policies
- estimates and judgements made in determining these items.
- explanation of the calculation basis for each type of non-financial assets and liabilities
- individually significant items

13 Taxation

At year end, consideration has been given to the continued recognition of a deferred tax asset in relation to the Company's accumulated tax losses. This is due to the fact that the Company's ultimate Parent, Cigna Corporation, is the subject of a merger offer from Anthem, a US Based health insurer.

The offer is subject to a number of regulatory approvals and as at balance date remained conditional, with regulatory approvals not yet obtained. Should the merger be approved, the Company would be required to test for shareholder continuity at the time of settlement, and to the extent that continuity is maintained at that time, would also be required to test for continuity from the time the loses were generated to the time they are utilised. Given the uncertainty around whether or not the merger will be approved, the Company has adopted a consistent treatment in regards the tax losses to that adopted historically. That is to record a deferred tax asset to the value of the anticipated future profit for the next 4 years.

The reduction in tax asset is due to the profit outlook over this time horizon reducing from the same measurement point in the comparative year. It should be noted that should the shareholder continuity test not be met at the time a merger is approved and enacted, that both the recognised and unrecognised tax losses would be forfeited - the amounts of which are shown below.

Income tax recognised in profit or loss	Note	2015 $'000	2014 $'000
Current tax expense		-	-
Deferred tax expense		7,359	850
Income tax expense		7,359	850
Profit before tax		14,343	6,311
Income tax expense at 28 percent		4,016	1,768
Permanent differences			
- life insurance liability permanent differences		(1,922)	(3,139)
- other tax permanent difference		286	304
Temporary differences		(963)	937
Tax effect of deferred acquisition costs included in policyholder liabilities		3,772	3,401
Tax effect of unrealised investment income		(56)	(185)
Write-off/(capitalisation) of tax losses		2,226	(2,236)
Income tax expense		7,359	850

Deferred tax assets and liabilities	2015			2014		
	Opening balance	Movement charged to Statement of Comprehensive Income	Closing balance	Opening balance	Movement charged to Statement of Comprehensive Income	Closing balance
	$'000	$'000	$'000	$'000	$'000	$'000
Movements in deferred taxation assets						
Available tax losses	20,732	(3,587)	17,145	18,181	2,551	20,732
Total deferred tax assets	20,732	(3,587)	17,145	18,181	2,551	20,732
Movements in deferred taxation liabilities						
Policyholder liabilities	(37,899)	(3,772)	(41,671)	(34,498)	(3,401)	(37,899)
Total deferred tax liabilities	(37,899)	(3,772)	(41,671)	(34,498)	(3,401)	(37,899)

All deferred tax assets and liabilities are expected to have a recovery period greater than 12 months.

Accumulated tax losses are recognised in the Statement of Financial Position to the extent that they are expected to be used in the foreseeable future. The Company has a total of approximately $120.4 million (2014: $123.7 million) of unrecognised income tax losses available to be set off against future life and accident and health base taxable income. The realisation of the tax benefit of the balance of these losses is dependent on the Company meeting the requirements of Income Tax Act 2007 on shareholder continuity.

Accounting for taxation relation to the Company's tax position

Current tax
Current tax is calculated in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by balance date. Current tax is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
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.

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14 Other receivables

	Note	2015 $'000	2014 $'000
Sundry debtors		751	535
Accrued interest income		1,827	2,363
Prepayments		1,550	916
Related party loans and receivables	23	282	41
Total other receivables (current)		4,410	3,855

Other receivables past due but not impaired

The Company considers that other receivables 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 is $376k (2014: $49k).

15 Property, plant & equipment

	Cost			Accumulated Depreciation			Net book Value	
	Opening $'000	Movement $'000	Closing $'000	Opening $'000	Movement $'000	Closing $'000	Opening $'000	Closing $'000
2015	4,243	982	5,225	3,254	(659)	2,595	989	2,630
2014	4,521	(278)	4,243	3,122	132	3,254	1,399	989

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

Computer equipment	2-6 years SL
Leasehold improvements	9 years SL
Furniture & fittings	10 years SL
Office equipment	5 years SL

16 Intangible assets

	Cost			Accumulated Depreciation			Net book Value	
	Opening $'000	Movement $'000	Closing $'000	Opening $'000	Movement $'000	Closing $'000	Opening $'000	Closing $'000
2015	7,481	85	7,566	5,841	1,020	6,861	1,640	705
2014	6,813	668	7,481	4,911	930	5,841	1,902	1,640

Intangible assets with a limited useful life are amortised using the straight-line method over the following periods:

Acquired computer software licences	3 years SL
CCRI (Credit Card Repayment Insurance)	4.5 years SL

17 Accounts Payable

	Note	2015 $'000	2014 $'000
Sundry creditors and accruals		3,321	3,991
Reinsurance premiums payable to related parties	23	350	573
Other reinsurance premiums payable		992	966
Amounts due to related parties	23	267	205
Deposits held for policies not issued		56	35
Payable to agents		2,209	1,983
Total accounts payable (current)		7,195	7,753

18 Analysis of expense by nature

		2015	2014
Depreciation expense		508	315
Provision for asset impairment / (reversal)		(25)	440
Amortisation expense		1,020	1,011
Doubtful debts expense		-	-
Directors' fees		145	140
Employee benefits expense		17,017	15,050
Superannuation contributions		1,224	1,165
Fees paid to auditors	- Audit fees	165	141
	- Additional 2013 Audit Fees	-	15
	- Half year financial statement review	33	35
	- Enterprise compliance testing*	19	48
Employee share options & restricted stock expense		251	116
Foreign exchange (loss) / gain		75	(4)
Rental expense		1,446	1,331
Termination expenses		148	252
Legal expenses		231	183

* Provision of services to assist the Company meets its Cigna Group requirements relating to Anti Corruption, bribery & terrorism and Anti money laundering monitoring

e Risk

This section of the notes discusses the Company's exposure to various risks and shows how these could affect the Company's financial position and performance.

19 Financial Risk Management

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance. Current year profit and loss information has been included where relevant to add further context.

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.

Financial risk management objectives

The ultimate controlling entity's Corporate Treasury function provides services to the Company, monitoring and managing 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, interest rate risk and price risk), credit risk and liquidity risk. Compliance with policies and exposure limits is reviewed by the Parent company's internal auditors on a regular basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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.

(a) Risk management objectives and policies for mitigating risk

The Company's objective is to satisfactorily manage the risks in line with the Company's Risk Policy, the relevant details of which are included below.

(b) Strategy for managing risk

Risk strategy

The Company has put in place a strategy to ensure that the risks underwritten satisfy policyholders' risk and reward objectives, whilst 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 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 the regulatory reporting requirements to which the Company is subject.

Allocation of capital

The Company is required to hold a certain level of assets (capital) in order to prudently meet its liabilities to policyholders, fulfil its new business plans and meet regulatory capital requirements. Capital is held partly in the Statutory Fund based on management's assessment of the risk that each line of business is exposed to, and its views on the profitability of the products that are sold, on the regulatory capital requirements and its own views about a suitable margin above the regulatory requirement. At no stage during the year was the Company in breach of the minimum solvency capital requirements. Refer note 10 for disclosures on the Company's solvency requirements and margins.

(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 risk performance. 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 are subject to annual review by the Parent 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 mitigate the impact on the Company's exposure to risk and to ensure the achievement of an appropriate 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 quality control personnel 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 help to indicate how certain market fluctuation scenarios would affect future cash flows and fair values. For non-discretionary participatory insurance products, such as unit-linked products, the interest and market risks are passed on to the policyholder.

19 Financial Risk Management continued

(e) Concentration of insurance risk

Insurance risks associated with human life events

The Company aims to maintain an appropriate solvency margin in excess of the minimum requirement for any given in force business mix. The Company determines insurance risk concentrations based on the levels of sum assured as well as age and sex profiling of the policy holders. The Company uses reinsurance to manage the impact of insurance risk concentrations.

Financing and liquidity risk

Financing and liquidity risk is the risk that the Company will not be able to meet its cash outflows, 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 maintains sufficient liquid assets to ensure that the Company can meet its obligations and other cash outflows on a timely basis. The Company 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 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 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 outflows that include interest payments and exclude the impact of netting agreements.

2015	Less than 1 year $'000	>1 year $'000	Total $'000
Financial Liabilities			
Payables	7,195	-	7,195
Other liabilities	45	-	45
Insurance liabilities	9,974	-	9,974
Letters of credit and guarantees issued	1,113	-	1,113
Life investment contract liabilities	6,495	-	6,495
Total	24,822	-	24,822

2014	Less than 1 year $'000	>1 year $'000	Total $'000
Financial Liabilities			
Payables	9,329	-	9,329
Other liabilities	2,814	-	2,814
Insurance liabilities	11,126	-	11,126
Letters of credit and guarantees issued	659	-	659
Life investment contract liabilities	7,099	-	7,099
Total	31,027	-	31,027

The Company does not expect the guarantees to be called. The Life Investment Contract Liabilities are classified as less than 1 year in duration as the policyholders have a choice whether to hold to policy expiry date or cash up the policy early.

Market risk

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 for these short term products.

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. The Company's exposure to interest rate risk is shown by the below sensitivity analysis.

Sensitivity analysis interest rate risk

As at 31 December if interest rates on cash deposits and interest bearing investments had been 100 bpts higher or 100 bpts lower with all other variables held constant (and excluding the impact a change in interest rates would have on the market value, which is addressed in (d) below) the impact on post tax profits and equity would have been as follows:

	2015 +100bpts/(100bpts) $'000	2014 +100bpts/(100bpts) $'000
Effect on Profit and Equity		
Cash and cash equivalents	42 / (42)	136 / (136)
Financial assets at fair value through profit or loss	1,115 / (1,115)	967 / (967)

19 Financial Risk Management continued

Foreign currency risk
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 has no material exposure to any foreign currency risk and as such any sensitivity on the exposure is considered immaterial

Exposure to price risk
Price risk is the risk of loss resulting from the decline in prices of equity securities or managed investment trusts. The Company is exposed to the price risk because of its investments in managed investment trusts.

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 and the Board of Directors.

Sensitivity analysis price risk on managed investments trusts
As at 31 December if prices were to increase or decrease by 10% with all other variables held constant the impact on post tax profits and equity would have been as follows:

	2015 +10%/(10%) $'000	2014 +10%/(10%) $'000
Effect on Profit and Equity	331 / (331)	556 / (556)

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. Credit exposure in respect of the Company's cash deposit balances is limited to banks with minimum A credit ratings. Investments held with banks and financial institutes that are managed by investment managers have a minimum credit rating accepted by the Group of 'A'. Independent ratings are used for customers that are rated by rating agencies. 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.

The maximum credit risk for financial assets is the carrying amount less, where applicable, any provision for impairment. As at 31 December 2015 (2014: nil) there was no significant credit risk exposure to one single entity. With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, term deposits, insurance receivables and investment debtors, sundry debtors and related party loans and receivables, the Company's exposure to credit risk arises from default of the counterparty, 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 is assessed by reference to external credit ratings. The table below sets out the equivalent Standard and Poor's credit rating for cash and cash equivalents, short term investments and fixed interest securities designated at fair value through profit or loss.

	2015		2014	
Cash and cash equivalents	%	$'000	%	$'000
A+	2%	72	50%	6,815
AA-	98%	4,106	50%	6,832
Total cash and cash equivalents	100%	4,178	100%	13,647
Term investments				
AA-	100%	29,900	100%	32,409
Total term investments	100%	29,900	100%	32,409
Fixed interest				
AAA	5%	5,148	9%	8,239
AA+	5%	6,049	67%	65,193
AA	40%	44,924		
A+	6%	6,764	3%	2,820
AA-	44%	48,591	21%	20,475
Total fixed interest	100%	111,476	100%	96,727

f Other Information

This section provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Company's financial position and performance but are not included as they do not satisfy the recognition criteria.

20 Operating lease commitments

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

	Note	2015 $'000	2014 $'000
Payable no later than one year		1,395	1,348
Payable later than one year and not later than five years		5,304	5,323
Payable later than five years		4,515	5,906

The Company leases premises in two locations, under non-cancellable operating leases. The lease terms are between 6 and 9 years, with the option to break one lease agreement after 3 years, and both lease agreements include provisions for rights of renewal at market rates.
The Wellington Lease is still in negotiation, the deed is still yet to be signed. A head of agreement has been signed and the commitment has been calculated based on these amounts.

In addition, the Company leases some operating equipment under cancellable operating lease agreements. The Company is required to give one months notice for the termination of these agreements.

21 Contingent liabilities

The Company had no material contingent liabilities at balance date (2014: Nil).

22 Capital commitments

The Company had no material capital commitments at balance date (2014: Nil).

23 Related party information

The Company is a wholly owned subsidiary of Cigna Hong Kong Holdings Limited. It's ultimate parent company is Cigna Incorporated. All members of the Group are considered to be related parties of the Company.

a) Key management personnel compensation

	2015	2014
Salaries and other short term benefits	2,132	1,645
Post employment benefits	136	155
Employee share options & restricted stock expense	130	83
Termination benefits	35	196
Directors fees	145	140

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.

b) Transactions with other related companies

		2015	2014
Cigna APAC Holdings Limited	Recharge of goods and services	25	331
Cigna Finans Emeklilik ve Hayat A.Ş.	Recharge of goods and services	189	-
Cigna Chestnut Holdings Limited	Recharge of goods and services	1	(2)
Cigna Europe Insurance Company S.A - N.V	Recharge of goods and services	41	-
Cigna Global Reinsurance Company Limited	Reinsurance premiums paid	(1,370)	(1,145)
Cigna Global Reinsurance Company Limited	Reinsurance commission earnt	309	292
Cigna Global Reinsurance Company Limited	Reinsurance claims recovery	1,139	909
Cigna HLA Technology Services Company Limited	Recharge of goods and services	(615)	(518)
Cigna Insurance Services (Europe) Limited	Recharge of goods and services	-	(105)
Cigna International Corporation	Recharge of goods and services	(538)	(364)
Cigna International Corporation - Hong Kong Branch	Recharge of goods and services	531	249
Cigna Worldwide Life Insurance Company Limited	Recharge of goods and services	-	17
LINA Life insurance company of Korea	Recharge of goods and services	(6)	-
Cigna Insurance Public Company Limited	Recharge of goods and services	11	

c) Related party balances outstanding

Receivables		2015	2014
Cigna APAC Holdings Limited	Recharge of goods and services	30	7
Cigna Chestnut Holdings Limited	Recharge of goods and services	5	4
Cigna Global Reinsurance Company Limited	Reinsurance commission earnt	80	147
Cigna Global Reinsurance Company Limited	Reinsurance claims recovery	831	709
Cigna International Corporation	Recharge of goods and services		-
Cigna International Corporation - Hong Kong Branch	Recharge of goods and services	182	27
Cigna Finans Emeklilik ve Hayat A.Ş.	Recharge of goods and services	24	-
Cigna Life Insurance Company of Europe S.A–N.V	Recharge of goods and services	41	-
Cigna Insurance Public Company Limited	Recharge of goods and services	-	3

23 Related party information continued

Payables			
Cigna Chestnut Holdings Limited	Recharge of goods and services	(6)	(6)
Cigna Global Reinsurance Company Limited	Reinsurance premiums	(350)	(573)
Cigna International Corporation	Recharge of goods and services	(197)	(170)
Cigna HLA Technology Services Company Limited	Recharge of goods and services	(52)	(25)
Cigna International Corporation - Hong Kong Branch	Recharge of goods and services	(12)	(4)

24 Changes to comparatives

Comparative periods have been amended to ensure consistency with the current presentation in respect of the following:
- deferred premium/unearned premium reserves held ($1,576k). These were previously held in Trade and other payables and Policyholder liabilities, however have now been consolidated in the Policyholder liability account. There were no changes in net assets as a result of the amendment; and
- travel insurance claims expense/life insurance claims expense ($3,201k). These were previously recorded in life insurance claims expenses incorrectly, and have been amended in these accounts to correctly record them in travel insurance claims expenses. There were no changes to total claims expenses as a result of the amendment.

25 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 no new standards for the first time for the financial year beginning on 1 January 2015.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Company.

26 New Standards not yet adopted

The following relevant new standards, amendments or interpretations to existing standards are not yet effective and have not been early adopted by the Company:
The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. This standard is effective for reporting periods beginning on or after 1 January 2018. The Company is yet to assess NZ IFRS 9's full impact.

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers. The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

There are no other NZ IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

27 Subsequent events

Subsequent to balance date the Company established a new subsidiary, Grown Ups NZ Limited, for the purposes of undertaking an asset acquisition. The transaction is not material to the Company.

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Section 78 Report in respect of Cigna Life Insurance NZ Limited

Financial Statements as at 31 December 2015

- This report is prepared for the Directors of Cigna Life Insurance NZ Limited (Cigna NZ) under Section 78 of the Insurance (Prudential Supervision) Act 2010 (Insurance Act) in the context of full financial statements effective for 31 December 2015.
- As Appointed Actuary to Cigna NZ, I have reviewed the actuarial information contained in, or used in the preparation of, the financial statements of Cigna NZ for the year ended 31 December 2015. For this purpose the actuarial information referred to is the information referred to in Section 77(4) of the Insurance Act.
- My review covers the resetting of the best estimate assumptions which are used for the valuation, the valuation results and solvency calculations, all as at 31 December 2015.The review was carried out in accordance with relevant professional standards of the New Zealand Society of Actuaries and the Reserve Bank of New Zealand Solvency Standards for Life and Non-Life Insurance business (Solvency Standards).
- I have obtained all information and explanations that I have required to complete the review. There are no particular limitations placed upon my review.
- In my opinion and from an actuarial perspective:
  - i. The actuarial information contained in the financial statements has been appropriately included in those statements;
  - ii. The actuarial information used in the preparation of the financial statements has been used appropriately in those financial statements.
- In my opinion and from an actuarial perspective, as at 31 December 2015, Cigna NZ is maintaining the required solvency margins imposed by the conditions of its licence under Section 21 of the Act.
- In addition to the Appointed Actuary role I am an employee of Cigna NZ with the title of Head of Actuarial. The remuneration for that role has a contingent component that is related to both the performance of Cigna NZ and the wider Cigna Corporation.
- This report is provided solely to, and for the use of, the Directors of Cigna NZ in the context of Section 78 of the Act.

Nathan Thomas, BSc (Hons), BCA, FNZSA
Appointed Actuary

26 April 2016

Independent Auditors' Report

to the shareholders of Cigna Life Insurance New Zealand Limited

Report on the Financial Statements

We have audited the financial statements of Cigna Life Insurance New Zealand Limited ("the Company") on pages 1 to 23, which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

We are independent of the Company. Other than in our capacity as auditors, providers of other related assurance services, and services in the area of data analytics we have no relationship with, or interest in, the Company.

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Independent Auditors' Report

Cigna Life Insurance New Zealand Limited

Opinion

In our opinion, the financial statements on pages 1 to 23 presents fairly, in all material respect, the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and international financial reporting standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which 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 opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
26 April 2016

Wellington