Cigna Life Insurance New Zealand Limited

Financial Statements
For the year ended 31 December 2016

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Cigna Life Insurance New Zealand Limited

Statement of Comprehensive Income
For the year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Premium revenue			
Premium revenue from insurance contracts	2	85,665	83,365
Outwards reinsurance expense	2	(3,409)	(3,244)
Net premium revenue		82,256	80,121
Other revenue			
Investment revenue	11	4,046	7,807
Fee and other revenue		623	445
Net other revenue		4,669	8,252
Payments under policies			
Claims expense	3	(32,046)	(26,308)
Inwards reinsurance	3	2,023	1,644
Net claims expense		(30,023)	(24,664)
Change in policyholder liabilities	6	649	(219)
Other expenses	4	(49,024)	(49,147)
Net claims and operating expenses		(78,398)	(74,030)
Profit before tax		8,527	14,343
Income tax (expense)	13	(4,463)	(7,359)
Profit after tax		**4,064**	**6,984**
Other comprehensive income		-	-
Total comprehensive income attributable to the owners of the Company	1	**4,064**	**6,984**

The notes on pages 6 to 31 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 2016

	Share capital $'000	Retained earnings $'000	Total $'000
Opening Balance as at 1 January 2015	**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**
Total comprehensive income 2016	-	4,064	4,064
Transactions with owners			
Dividend paid	-	(30,000)	(30,000)
Balance 31 December 2016	**500**	**116,127**	**116,627**

All 500,000 ordinary shares (2015: 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 31 are an integral part of these financial statements.

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Cigna Life Insurance New Zealand Limited

Statement of Financial Position
As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Assets			
Current assets			
Cash and cash equivalents		8,630	4,178
Term deposits	12	3,400	29,900
Insurance receivables	5	6,544	6,166
Other receivables	14	4,158	4,410
Financial assets at fair value through profit or loss	12	113,216	114,783
Policy loans		199	231
Non-current assets			
Property, plant and equipment	15	2,138	2,630
Intangible assets	16	1,014	705
Deferred tax asset	13	16,246	17,145
Total Assets		**155,545**	**180,148**
Liabilities			
Current liabilities			
Accounts payable	17	6,032	7,195
Employee entitlements		2,621	2,901
Other liabilities		451	45
Insurance liabilities	8	15,050	12,383
Non-current liabilities			
Deferred tax liability	13	45,236	41,671
Policyholder liabilities	6	(30,472)	(26,610)
Total Liabilities		**38,918**	**37,585**
Net Assets		**116,627**	**142,563**
Equity			
Contributed equity		500	500
Retained earnings		116,127	142,063
Total Equity		**116,627**	**142,563**

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

Steven Fyfe
Director — **Date** 20/4/17

Mary-Jane Daly
Director — **Date** 20/4/17.

The notes on pages 6 to 31 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 2016

	Note	Group 2016 $'000	Group 2015 $'000
Cash flows from operating activities			
Premiums received		85,918	83,367
Reinsurance received		1,866	1,030
Interest received		6,394	7,146
Dividends received		59	85
Fee income		623	445
Claims expenses		(30,045)	(27,298)
Reinsurance paid		(2,968)	(3,441)
Payments to suppliers and employees		(39,365)	(38,805)
Commissions paid		(9,689)	(9,889)
Inflow from life investment policyholders		166	200
Outflow to life investment policyholders		(3,379)	(1,210)
Net cash inflow from operating activities		**9,580**	**11,630**
Cash flows from investing activities			
(Outflow) from purchase/sale of property, plant and equipment		(330)	(2,124)
(Outflow) from purchase/sale of intangible assets		(2)	(85)
(Outflow) for business combination		(600)	-
Inflow from sale of investments		99,289	136,444
(Outflow) from purchase of investments		(73,485)	(145,334)
Cash inflow/(outflow) from investing activities		**24,872**	**(11,099)**
Cash flows from financing activities			
Dividend payment		(30,000)	(10,000)
Net cash (outflow) from financing activities		**(30,000)**	**(10,000)**
Net increase/(decrease) in cash and cash equivalents		**4,452**	**(9,469)**
Cash and cash equivalents at beginning of year		4,178	13,647
Cash and cash equivalents at end of year		**8,630**	**4,178**
Cash is represented by:			
Cash at bank and in hand		8,630	4,178
Cash and cash equivalents at end of year		**8,630**	**4,178**

The notes on pages 6 to 31 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 2016

	Note	2016 $'000	2015 $'000
Operating activities reconciliation			
Profit after tax		**4,064**	**6,984**
Non-cash items			
Depreciation expense		555	508
Impairment expense		240	(25)
Amortisation expense		443	1,020
Deferred tax asset movement		899	3,587
Deferred tax liability movement		3,565	3,772
Net unrealised fair value losses/(gains) on financial assets at fair value through profit or loss		2,758	(16)
Change in policyholder liabilities		(3,862)	(791)
Changes in working capital items			
Receivables		(126)	(930)
Payables		(1,037)	(492)
Insurance liabilities		2,667	(928)
Policy loans		32	26
Items classified as investing activities			
Net realised fair value (gain) on financial assets at fair value through profit or loss		(618)	(1,085)
Net cash inflow from operating activities		9,580	11,630

The notes on pages 6 to 31 are an integral part of these financial statements.

These are the Consolidated Financial Statements of Cigna Life Insurance New Zealand Limited and its subsidiary (the Group).

Cigna Life Insurance New Zealand Limited (the Company) is a for-profit entity incorporated and domiciled in New Zealand, it was incorporated on 13 December 1967.

The Company is a Limited Liability Company. The address of its registered office is Level 24, Majestic Centre, 100 Willis Street, Wellington, New Zealand.

These consolidated financial statement for the Company and its subsidiary (together 'the Group') cover the financial year ended 31 December 2016.

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 FMC Reporting Entity under the Financial Markets Conduct Act 2013.

Basis of preparation

The financial statements are for the Group 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 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 presentation currency of the Group and the functional presentation of the Company.

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 Group's accounting policies.

Accounting for Life Insurance Business

The life insurance operations of the Group 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 Group, and the financial risks are substantially borne by the Group.

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 Group derives fee income from the administration of investment-linked policies and funds.

Critical Accounting Judgements

The Group 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 2015 and new business written over 2016) with the actual profit.

	Item:	Note	Group 2016 $'000	Group 2015 $'000
A	Planned profit margins (net of tax)		10,118	7,775
B	Experience profits		(7,678)	(7,252)
C	Assumption Change (Economic)		(2,228)	(2,029)
D	Capitalised gains / (losses)		(70)	413
E	Investment earnings on retained profits		3,922	8,077
	Net profit after tax (=A+B+C+D+E)		**4,064**	**6,984**

The planned profit for 2016 was $10.1m, with most of this coming from the Statutory Fund. Most of the unfavourable experience profits came from the Statutory Fund and were mainly due to higher than expected lapses resulting in an unexpected release of negative reserves in addition to lower premium revenue over 2016. Claims were also higher than expected driven by Accident & Health and Term Life claims, partially offset by lower Funeral Cover and Revolving Credit claims experience. The remaining negative experience profit came from the Shareholder Fund and was mainly due to the reduction in the tax asset. The negative impact on planned profit from assumption changes is largely due to lower valuation discount rates increasing policyholder liabilities. 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	Group 2016 $'000	Group 2015 $'000
Insurance premium revenue			
Life insurance premiums		67,088	64,261
Life reinsurance premiums		11,346	11,662
Life investment premiums		457	245
Travel insurance premiums		7,231	7,442
Total premiums		**86,122**	**83,610**
Less:			
Deposits recognised as an increase in policyholder liabilities	6	166	200
Fee and other income recognised in premium income		(623)	(445)
Life premiums recognised as revenue		**85,665**	**83,365**
Outwards reinsurance premiums		(3,409)	(3,244)
Net-premium revenue from insurance contracts		**82,256**	**80,121**

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 profit or loss at the reporting date is recognised in the Statement of Financial Position 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 Statement of Financial Position as unearned premium liability within policyholder liabilities.

Travel premium revenue

Premium revenue from travel insurance contracts are recognised over the period the policy holder travels. The proportion of premiums not recognised in profit or loss at the reporting date is recognised in the Statement of Financial Position as unearned premium liability within policyholder liabilities.

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3 Payments under policies

	Note	Group 2016 $'000	Group 2015 $'000
Claims expense			
Life insurance claims (net of reinsurance)		26,235	21,005
Life investment contract payments (withdrawals)		525	450
Life investment contract claims (withdrawals)		2,854	760
Travel insurance claims (net of reinsurance)		3,788	3,659
Total claims (net)		33,402	25,874
Withdrawals recognised as a decrease in policyholder liabilities	6	(3,379)	(1,210)
Inwards reinsurance revenues		2,023	1,644
Total gross claims through profit and loss		32,046	26,308

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 with-profit 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, with allowances for the probability of declinature and the associated operating costs to administer these claims. Provision has also been made for the estimated cost of claims Incurred But Not Reported at the 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.

Un-recouped 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 profit or loss 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	2016 $'000	2015 $'000
Policy acquisition costs - life insurance contracts			
Commission		974	889
Other solicitation and acquisition costs		24,661	23,838
Total policy acquisition costs		25,635	24,727
Policy maintenance costs			
Commission		8,593	9,226
Life insurance contracts		13,763	15,094
Investment management expenses		106	100
Total maintenance expenses		22,462	24,420
Non-life insurance costs			
Other administrative costs		927	-
Total non-life insurance costs		927	-
Total other expenses		49,024	49,147

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4 Other expenses - continued

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 Group's operations such as that they are sufficient to service in-force policies. See note 18 for an analysis of expense by nature. Non-life insurance costs relate to administrative costs of the Group's subsidiary. These costs do not relate to the acquisition or maintenance of life insurance contracts.

Any deferred acquisition costs are expected to be recovered through renewal premiums based on the expected future lifetime of the underlying products.

5 Insurance receivables

Insurance receivables relate to amounts due to the Group 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	Group 2016 $'000	Group 2015 $'000
Outstanding premiums		3,577	4,200
Related party reinsurance recoveries	24	1,755	911
Reinsurance recoveries		1,212	1,055
Total insurance receivables (current)		6,544	6,166

Insurance receivables past due but not impaired

The Group 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 Group is $737k (2015: $419k). The aging of these amounts is shown below.

Days past due	2016 $000	2015 $000
0-30 days	472	201
31-60 days	186	148
61-90 days	26	27
90+ days	53	43
Total	737	419

In addition to the above past due balances the Group has impaired assets of $47k (2015: $59k) against which it holds a provision for impairment totalling $47k (2015: $59k).

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 profit or loss, as a debit against premium revenue.

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b Insurance Liabilities

This note provides information about the Group's contract liabilities, including:
- estimates and judgements used
- policyholder liability calculations and components
- disaggregated information of the Statement of Comprehensive Income and the Statement of Financial Position splitting the figures between investment and non inve:
- insurance liability breakdown and assumptions
- Statutory fund breakdown
- Solvency margin

6 Critical Accounting Estimate: Policyholder liabilities

Life insurance contract liabilities are calculated by the Valuation Actuary and reviewed and signed off 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 Group's actuarial reports for the years ended 31 December 2015 and 31 December 2016 were prepared by the Appointed Actuary, Nathan Thomas BSc(Hons), BCA, FNZSA, FIA. The actuarial reports indicate that the actuary is satisfied as to the accuracy, nature and sufficiency of the data and methods 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) using either the Projection Method or 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, Replacement Income, 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 bulk of this life investment contract business is planned for wind-up effective for 30 April 2017.

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.

6 Critical Accounting Estimate: Policyholder liabilities continued

(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)	Expected death claims
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 and Traditional Non-Profit are both closed to new business. Level and Decreasing Term business is no longer actively sold. The profit carriers for 2016 are consistent with 2015 except for Traditional Non-Profit. This product group is no longer in loss and as such uses expected death claims.

ii. Risk Discount Rates

RPG's	Discount Rate Basis	Risk Discount Rates (p.a.) *(after tax and investment fees)* 2016	2015
Traditional With-Profit	Earnings *	2.90%	3.30%
Traditional Non-Profit	Risk Free	3.04%	3.26%
MRI Term Life	Risk Free	1.56%	1.84%
Level & Decreasing Term Life	Risk Free	2.34%	2.51%
Yearly Renewable Term (YRT) Life	Risk Free	2.34%	2.51%
Funeral Cover	Risk Free	2.34%	2.51%
Accident & Health, Revolving Credit	Risk Free	1.86%	2.09%
Income Protection	Risk Free	1.86%	2.09%

** 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. (2015: 3.0% p.a.) is assumed.

Some life insurance contracts have indexation benefits that provide a level of protection against inflation. Where increases are not fixed or set equal to CPI, they are assumed to increase cover levels at a rate of 5.0% p.a (2015: 5.0%). The assumption reflects the default offer and is in line with recent experience.

6 Critical Accounting Estimate: Policyholder liabilities continued

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% (2015: 3.0% p.a.). Projected expenses for 2017 are consistent with the latest business plan.
Future investment expenses have been assumed to be at the same percentage of assets under management as applies at the balance date and reflects the recent change in investment manager for fixed interest securities. The rates for the last two years are shown in the table below:

Asset Class	Investment Management Fee Assumptions (p.a)	
	2016	2015
Cash	0.00%	0.00%
Fixed Interest	0.11%	0.10%
NZ Equities	1.17%	1.05%
Overseas Equities	1.17%	1.19%

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 2016 is 28% for all classes of business (unchanged from 2015) 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 (NZSA 08-10). The proportion of each table adopted was based on recent actuarial investigations carried out by actuarial personnel of the Group.

Funeral Cover and Other Individual
The projected rates of claims reflect current experience and are based on actual experience where possible and referenced against New Zealand standard mortality tables NZSA 08-10, NZ95, NZ97 (insured lives) and NZLT 12-14 (population lives).
Processes
An appropriate base table of mortality is chosen for the type of product being written. An investigation into the actual experience of the Group'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. The actuarial investigations have been carried out by the Valuation Actuary and has been reviewed and signed off by the Appointed Actuary.

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 Group's own experience. The valuation assumptions by duration were last reviewed for 31 December 2016 and are summarised in aggregate below with the comparative figures for 2015.

Year End Valuation Lapse Rate Assumptions		
RPG's	2016	2015
Level & Decreasing Term	3.41%	3.85%
Yearly Renewable Term	10.72%	10.81%
Funeral Cover	6.13%	5.98%
MRI Term Life	0.01%	0.10%
Revolving Credit	14.22%	14.30%
Accident & Health	11.91%	10.80%
Traditional With-Profit	2.00%	2.00%
Traditional Non-Profit	3.50%	2.00%
Income Protection	25.20%	26.20%

Lapse rate assumptions are also dependant on the customers age for yearly renewable term products where premiums generally become more expensive with age. Lapse rates are assumed to be 100% at the next policy anniversary date when customers reach the maximum age assumption. For 2016 the maximum age assumption is generally 70 years (2015: 71-80 years), but 80 years for one legacy product (2015: 85 years).
New dormancy assumptions were introduced for 31 December 2016 to increase the overall lapse rates for inforce policies that are in premium arrears within the policy premium grace period (3 months).

viii. Surrender value

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

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6 Critical Accounting Estimate: Policyholder liabilities continued

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 1.34% p.a. (2015: 1.87% 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 policyholder 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 calculated by the Valuation Actuary and is reviewed and signed off by the Appointed Actuary. The rate is based on returns on the underlying assets, a notional asset allocation and an allowance for fees. Regard is given to the policyholders' surplus account, with the aim of keeping it positive. The InvestorPlan product to which this fund belongs is planned to be wound up effective for 30 April 2017.

Effects of changes in actuarial assumptions from 31 December 2015 to 31 December 2016

	Effect on Future Profit Margins	Effect on Policy Liability*
	$'000	$'000
Assumption Category	increase/(decrease)	increase/(decrease)
Mortality and Morbidity rates	(9,632)	0
Lapse (cancellation) rates	(10,555)	804
Economic assumptions	2,549	1,425
Expense level	5,289	(31)
Methodology Change	17,716	70
Total	**5,366**	**2,269**

** 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 reduction in profit margins is driven mainly by the increase in claims assumptions for legacy Term Life business and lower maximum ages for lapse rates. The increase in policyholder liabilities is due to lower risk discount rates, driven by a reduction in NZ government bond yields over 2016.

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6 Critical Accounting Estimate: Policyholder liabilities continued

Sensitivity Analysis

The Group 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 Group'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 Group 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 2016 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)	Increase by 10%	53	(53)
2. Discount Rate	Decrease by 1 percentage point (net of taxes, fees)	10,050	(10,050)
3. Mortality/morbidity	Increase by 10%	24	(24)
4. Lapse (Cancellation) Rates	Increase by 10%	1,344	(1,344)
	Decrease by 10%	-1,385	1,385

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 Group 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 (2015: 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.

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6 Critical Accounting Estimate: Policyholder liabilities continued

	Note	Group 2016 $'000	Group 2015 $'000
Movements in policyholder liabilities			
Net policyholder liabilities at the end of the year		(30,472)	(26,610)
Net policyholder liabilities at the end of the previous year		(26,610)	(25,819)
Net change in policyholder liabilities		(3,862)	(791)
Net change in policyholder liabilities as above		(3,862)	(791)
Deposits recognised as an increase in life investment policy liabilities		166	200
Withdrawals recognised as a decrease in life investment policy liabilities	3	(3,379)	(1,210)
Net change in policyholder liabilities as per Statement of Comprehensive Income		(649)	219
Components of policyholder liabilities			
Life insurance contract liabilities:			
- Value of future profits		125,265	119,730
- Value of future policy benefits, transfers & non investment linked business		432,035	420,469
- Value of future charges for acquisition cost		(23,351)	(23,184)
- Value of future expenses		86,724	117,136
- Value of DAC tax separately recognised		(45,236)	(41,671)
- Value of (balance of) future premiums		(609,329)	(625,585)
		(33,892)	(33,105)
Life investment contract liabilities:			
- Value of future policy benefits		3,420	6,495
Net policyholder liabilities as per Statement of Financial Position		(30,472)	(26,610)
Value of policy benefits subject to capital guarantees included in policy liabilities			
- In respect of contracts with discretionary participation features		5,538	5,774
- In respect of investment-linked contracts		1,858	3,509
- In respect of any other contracts not addressed above, the amount of the current termination values.		946	879
Total		8,342	10,162
Life Insurance Contract Liabilities Future Net Inflows			
- Under one year		31,006	33,389
- Between one and five years		83,359	88,880
- Greater than five years		62,927	82,847
Total		177,292	205,116

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 profit or loss.

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7 Disaggregated information

	2016 - Group			2015 - Group		
	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	765	7,865	8,630	1,437	2,741	4,178
Short-term Investments	-	3,400	3,400	-	29,900	29,900
Insurance receivables	-	6,544	6,544	-	6,166	6,166
Other receivables	-	4,158	4,158	-	4,410	4,410
Financial assets at fair value through profit or loss (current and non current)	2,655	110,561	113,216	5,058	109,725	114,783
Policy loans	-	199	199	-	231	231
Property, plant and equipment	-	2,138	2,138	-	2,630	2,630
Intangible assets	-	1,014	1,014	-	705	705
Deferred tax asset	-	16,246	16,246	-	17,145	17,145
Trade and other payables	-	(6,032)	(6,032)	-	(7,195)	(7,195)
Employee Entitlements	-	(2,621)	(2,621)	-	(2,901)	(2,901)
Other liabilities	-	(451)	(451)	-	(45)	(45)
Insurance liabilities	-	(15,050)	(15,050)	-	(12,383)	(12,383)
Deferred tax liability	-	(45,236)	(45,236)	-	(41,671)	(41,671)
Policyholder liabilities	(3,420)	33,892	30,472	(6,495)	33,105	26,610
Retained earnings and contributed equity	-	(116,627)	(116,627)	-	(142,563)	(142,563)

	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	-	82,256	82,256	-	80,121	80,121
Fee and other revenue	98	525	623	115	330	445
Net claims and operating expenses	(167)	(78,231)	(78,398)	(695)	(73,335)	(74,030)
Investment revenue	293	3,753	4,046	444	7,363	7,807
Profit / (loss) before tax	224	8,303	8,527	(136)	14,479	14,343
Income tax expense	63	(4,526)	(4,463)	(38)	(7,321)	(7,359)
Profit / (loss) after tax	287	3,777	4,064	(174)	7,158	6,984
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income / (loss)	287	3,777	4,064	(174)	7,158	6,984

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 balance date and the cost of claims Incurred But Not Reported (IBNR) to the Group. 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 with allowances for the probability of declinature and the associated operating costs to administer these claims.

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 Group, where more information about the claim event is generally available.
In calculating the estimated cost of claims reported but not settled, the Group uses case estimates where possible. For IBNR claims reserves, the Group 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 Group 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
- The effects of changes in foreign exchange rates (Travel business)

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 Group 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	Group 2016 $'000	Group 2015 $'000
Claims under policies in the process of settlement		12,522	9,974
Claims incurred but not reported		2,528	2,409
Total insurance liabilities (current)		15,050	12,383

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 the life insurance policies are given certain priority over the interests of other parties, such as unsecured creditors.

As at 31 December 2016 there are no other restrictions on the use of assets invested for policyholder benefits, nor any restrictions on legal titles to assets.

9 Statutory Fund Continued

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

	2016 - Group			2015 - Group		
	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	2,335	6,295	8,630	2,194	1,984	4,178
Term investments (current and non-current)	2,500	900	3,400	-	29,900	29,900
Insurance receivables	6,144	400	6,544	5,678	488	6,166
Other receivables	1,633	2,525	4,158	1,400	3,010	4,410
Financial assets at fair value through profit or loss	108,964	4,252	113,216	109,484	5,299	114,783
Policy loans	199	-	199	231	-	231
Property, plant and equipment	-	2,138	2,138	-	2,630	2,630
Intangible assets	-	1,014	1,014	61	644	705
Deferred tax asset	-	16,246	16,246	-	17,145	17,145
Less Liabilities						
Accounts payable	2,935	3,097	6,032	2,967	4,228	7,195
Employee entitlements	-	2,621	2,621	-	2,901	2,901
Other liabilities	490	(39)	451	53	(8)	45
Insurance liabilities	14,258	792	15,050	11,621	762	12,383
Deferred tax liability	45,236	-	45,236	41,671	-	41,671
Policyholder liabilities	(30,849)	377	(30,472)	(26,856)	246	(26,610)
Retained earnings and contributed equity	**89,705**	**26,922**	**116,627**	**89,592**	**52,971**	**142,563**
Statement of Comprehensive Income						
Income						
Net premium revenue	74,987	7,269	82,256	72,655	7,466	80,121
Fee and other revenue	98	525	623	115	330	445
Investment revenue	3,054	992	4,046	5,912	1,895	7,807
Less Expenses						
Net claims and operating expenses	68,964	9,434	78,398	67,414	6,616	74,030
Profit/(loss) before tax	9,175	(648)	8,527	11,268	3,075	14,343
Less Income tax expense	3,565	898	4,463	3,772	3,587	7,359
Profit/(loss) before tax	5,610	(1,546)	4,064	7,496	(512)	6,984
Add Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss)	5,610	(1,546)	4,064	7,496	(512)	6,984

10 Solvency Margin

Solvency requirements

Separate to policy liabilities recognised in the Statement of Financial Position, the Group 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 Group maintains a separate solvency margin for each of its Statutory & Shareholder funds, 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 for each fund and for the consolidated entity exceeds the minimum requirements.

As at 31 December 2016		Statutory Fund $'000	Shareholder Fund $'000	Group $'000
Actual solvency capital	(A)	89,705	9,387	99,092
Minimum solvency capital	(B)	31,090	4,182	35,272
Solvency Margin	(A) - (B)	58,615	5,205	63,820
Solvency Ratio	(A) / (B)	289%	224%	281%
As at 31 December 2015				
Actual solvency capital	(A)	89,147	34,366	123,513
Minimum solvency capital	(B)	33,111	4,881	37,992
Solvency Margin	(A) - (B)	56,036	29,485	85,521
Solvency Ratio	(A) / (B)	269%	704%	325%

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c Investments

This note provides further information about the investments held by the Group, 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 Group's operations
- Information about determining the fair value of the instruments, including judgements and estimation uncertainty involved

11 Investment revenue	Note	Group 2016 $'000	Group 2015 $'000
Dividend income		59	85
Interest income		6,123	6,621
Net fair value (losses)/gains on financial assets designated at fair value through profit or loss		(2,136)	1,101
Total investment revenue		4,046	7,807
Total investment revenue by contract type:			
Life insurance contracts			
Income from:			
Managed investment funds		467	1,019
Fixed interest securities and cash		4,309	7,195
Total life insurance contracts investment revenue		4,776	8,214
Less investment income applied to Life investment contracts:			
Income from:			
Managed investment funds		(414)	(304)
Fixed interest securities and cash		(316)	(103)
Total life investment contracts apportionment		(730)	(407)
Total investment revenue		4,046	7,807

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 profit or loss as part of investment income when the Group'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 profit or loss in the period in which they arise.

12 Financial instruments by categories

The Group 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 Group commits to purchase or sell the asset.

12 Financial instruments by categories continued

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	Group Total
As at 31 December 2016 - Group	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	8,630	-	-	8,630
Term deposit	3,400	-	-	3,400
Other receivables (excl. prepayments)	2,975	-	-	2,975
Insurance receivables	6,544	-	-	6,544
Financial assets held at fair value through profit or loss	-	113,216	-	113,216
Policy loans	199	-	-	199
Accounts payable	-	-	(6,032)	(6,032)
Employee entitlements	-	-	(2,621)	(2,621)
Other liabilities	-	-	(451)	(451)
Insurance liabilities	-	-	(12,522)	(12,522)
Life investment contract liabilities	-	(3,420)	-	(3,420)
Total	**21,748**	**109,796**	**(21,626)**	**109,918**
As at 31 December 2015 - Group	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	4,178	-	-	4,178
Term deposit	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
Accounts payable	-	-	(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**

Impairment

The Group 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 Group 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 as supplied by Interactive Data Corporation (2015: 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 Group's financial assets and liabilities that are measured at fair value at 31 December.

	2016 - Group				2015 - Group			
	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 Treasury Bills	-	1,984	-	1,984	-	-	-	-
NZ Government Bonds	-	56,093	-	56,093	-	44,924	-	44,924
NZ Corporate Bonds	-	11,414	-	11,414	-	17,218	-	17,218
Australian Corporate Bonds	-	18,263	-	18,263	-	24,120	-	24,120
Canadian Corporate Bonds	-	7,760	-	7,760	-	6,642	-	6,642
European Corporate Bonds	-	11,369	-	11,369	-	17,961	-	17,961
Korean Corporate Bonds	-	615	-	615	-	611	-	611
United States Bonds	-	4,049	-	4,049	-	-	-	-
NZ Managed Funds	-	832	-	832	-	1,718	-	1,718
European Managed Funds	-	837	-	837	-	1,589	-	1,589
Life investment contract liabilities	-	(3,420)	-	(3,420)	-	(6,495)	-	(6,495)
Total	**-**	**109,796**	**-**	**109,796**	**-**	**108,288**	**-**	**108,288**

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 Group'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; and
- 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 Group's accumulated tax losses. This is due to the fact that the Group's ultimate Parent, Cigna Corporation, is the subject of a merger offer from Anthem, a US based health insurer.

The Merger is currently the subject of an appeal of the original decision to block it. The case was heard in the US Appeal Court and a decision is expected in late April. Separate to this, Cigna Corp have filed suit to terminate the Merger agreement. This suit is scheduled to be heard in May, following the announcement of the above mentioned appeal.
Given the uncertainty around whether or not the merger will be approved, the Group has adopted a consistent treatment in regards the tax losses to that adopted historically.

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	Group 2016 $'000	Group 2015 $'000
Current tax expense		-	-
Deferred tax credit		4,463	7,359
Income tax (credit)		**4,463**	**7,359**
Profit before tax		8,527	14,343
Income tax expense at 28 percent		2,388	4,016
Permanent differences			
- life insurance liability permanent differences		(1,012)	(1,922)
- other tax permanent difference		555	286
Temporary differences		(981)	(963)
Tax effect of deferred acquisition costs included in policyholder liabilities		3,565	3,772
Tax effect of unrealised investment income		(52)	(56)
Write-off/(capitalisation) of tax losses		-	2,226
Income tax expense		**4,463**	**7,359**

Deferred tax assets and liabilities	2016 - Group			2015 - Group		
	Opening balance	Movement charged to profit or loss	Closing balance	Opening balance	Movement charged to profit or loss	Closing balance
	$'000	$'000	$'000	$'000	$'000	$'000
Movements in deferred taxation assets						
Available tax losses	17,145	(899)	16,246	20,732	(3,587)	17,145
Total deferred tax assets	17,145	(899)	16,246	20,732	(3,587)	17,145
Movements in deferred taxation liabilities						
Policyholder liabilities	(41,671)	(3,565)	(45,236)	(37,899)	(3,772)	(41,671)
Total deferred tax liabilities	(41,671)	(3,565)	(45,236)	(37,899)	(3,772)	(41,671)

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 Group has a total of approximately $116.4 million (2015: $120.4 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 Group meeting the requirements of Income Tax Act 2007.

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13 Taxation continued

Accounting for taxation relation to the Group'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.

14 Other receivables

	Note	Group 2016 $'000	Group 2015 $'000
Sundry debtors		1,128	751
Accrued interest income		1,549	1,827
Prepayments		1,183	1,550
Related party loans and receivables	24	298	282
Total other receivables (current)		4,158	4,410

Other receivables past due but not impaired

The Group 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 Group is $81k (2015: $376k).

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
2016 - Group	4,785	(21)	4,764	2,155	471	2,626	2,630	2,138
2015 - Group	4,243	542	4,785	3,254	(1,099)	2,155	989	2,630

Property, plant and equipment has been considered insignificant in the context of the Group's overall Statement of Financial Position, and hence the summarised schedule has been included above.

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

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

Asset impairment

$240k of asset impairment charges have been recognised through the profit and loss in the 'provision for asset impairment' category in Note 18. This charge results from the decision to exit the Auckland premises lease early (April 2017), and relates to capitalised leasehold improvements and furniture and fittings assets not-yet fully depreciated which will no longer be in use. The total value of these assets has been written off.

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16 Intangible assets

	Group $'000 Goodwill	Group $'000 Other intangible assets	Group $'000 Total
Non-current Assets			
As at 1 January 2015			
Cost	-	7,481	**7,481**
Accumulated amortisation and impairment	-	(5,841)	**(5,841)**
Net book amount	-	**1,640**	**1,640**
Year ended 31 December 2015			
Opening net book amount	-	1,640	**1,640**
Additions - acquisition		124	**124**
Disposal		(39)	**(39)**
Amortisation charge*		(1,020)	**(1,020)**
Closing net book amount	-	**705**	**705**
As at 31 December 2015			
Cost	-	7,566	**7,566**
Accumulated amortisation and impairment	-	(6,861)	**(6,861)**
Net book amount	-	**705**	**705**
Year ended 31 December 2016			
Opening net book amount	-	705	**705**
Additions - acquisition	750	2	**752**
Amortisation charge*	-	(443)	**(443)**
Closing net book amount	**750**	**264**	**1,014**
As at 31 December 2016			
Cost	750	7,568	**8,318**
Accumulated amortisation and impairment	-	(7,304)	**(7,304)**
Net book amount	**750**	**264**	**1,014**

* Amortisation expenses are included in 'Other Expenses' line of the Statement of Comprehensive Income.
** Goodwill has been recognised on acquisition of the Subsidiary, Grown Ups New Zealand Limited and is measured on fair value at time of acquisition (April 2016); as calculated in note 20: Business Combination. Goodwill was tested for impairment and the resulting recoverable amount supported the carrying value.

Amortisation methods and useful lives
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

Goodwill
Goodwill represents the excess of purchase consideration over the fair value of net assets acquired at the time of acquisition of a business or shares in a subsidiary. Goodwill is allocated to cash-generating units (CGUs), which are the lowest level of assets for which separately identifiable cash flows can be attributed.

As shown in Note 20, Goodwill of $750k was recognised on acquisition of the GrownUps subsidiary. This has been 100% allocated to the GrownUps CGU.

Impairment considerations
Goodwill is tested at least annually for impairment, or whenever indicators of impairment exist.

An impairment loss is recorded if its recoverable amount is less than its carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

The recoverable amount of the GrownUps CGU was calculated on the basis of value in use using a discounted cash flow model. The future cash flows generated from the continuing operations of the subsidiary were projected for five years, with the key assumptions being revenue forecast, future operating expenses, and anticipated growth rates.

	2016 %
Discount rate - internal rate used for capital decisions	15
Terminal value growth rate	3
Budgeted revenue growth rate (average of next 5 years)	10
Budgeted expense growth rate (average of next 5 years)	5

16 Intangible assets continued

The model used to calculate the value in use is sensitive to changes in assumptions. If the assumptions were changed by the below stated amounts, with all other assumptions held constant, impairment would result.

Assumption	Change to	Impairment
Discount Rate	20%	$442k
Terminal Value Growth Rate	0%	$378k
Revenue Growth	5%	$750k
Expense Growth	10%	$750k

In reaching the conclusion that the carrying value of goodwill is supported at 31 December 2016, management and the directors have considered that the acquisition is a recent arms length transaction and is therefore a reasonable indicator of fair value. The synergies arising from the transaction will take time to realise and consequently the current performance of the acquired business is not representative of future expected performance. On this baisis, management and the directors believe that it is too early to impair goodwill and that the carrying value is supported.

17 Accounts Payable

	Note	Group 2016 $'000	Group 2015 $'000
Sundry creditors and accruals		1,766	3,321
Reinsurance premiums payable to related parties	24	965	350
Other reinsurance premiums payable		818	992
Amounts due to related parties	24	339	267
Deposits held for policies not issued		57	56
Payable to agents		2,087	2,209
Total trade and other payables (current)		6,032	7,195

18 Analysis of expense by nature

		2016	2015
Depreciation expense		555	508
Provision for asset impairment / (reversal)		240	(25)
Amortisation expense		443	1,020
Directors' fees		150	145
Employee benefits expense		17,704	17,017
Superannuation contributions		1,202	1,224
Fees paid to auditors	- Audit fees	183	165
	- Half year financial statement review	35	33
	- Enterprise compliance testing*	15	19
Employee share options & restricted stock expense		137	251
Foreign exchange (loss) / gain		31	75
Rental expense		1,572	1,446
Termination expenses		260	148
Legal expenses		15	231

* Provision of services to assist the Group meets its Cigna Group requirements relating to anti-corruption, bribery & terrorism and anti-money laundering monitoring. Services consist of providing technical support to analyse data. All investigation is performed by cigna employees.

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e Risk

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

19 Financial Risk Management

This note explains the Group's exposure to financial risks and how these risks could affect the Group'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 acceptable limits as detailed in the Group's relevant policies.

Financial risk management objectives

The ultimate controlling entity's Corporate Treasury function provides services to the Group, monitoring and managing the financial risks relating to the operations of the Group 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 Group 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 Group 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 Group's objective is to satisfactorily manage the risks in line with the Group's Risk Policy, the relevant details of which are included below.

(b) Strategy for managing risk

Risk strategy

The Group has put in place a strategy to ensure that the risks underwritten satisfy policyholders' risk and reward objectives, whilst not adversely affecting the Group'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 Group 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 Group 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 Group 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 Group's reinsurance programme to provide a central view of the Group'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 Group'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 Group's exposure to risk and to ensure the achievement of an appropriate choice of type of reinsurance and retention levels.

19 Financial Risk Management continued

Underwriting procedures

Strategic underwriting decisions are put into effect using the underwriting procedures detailed in the Group'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.

(e) Concentration of insurance risk

Insurance risks associated with human life events

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

Financing and liquidity risk

Financing and liquidity risk is the risk that the Group 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 Group maintains sufficient liquid assets to ensure that the Group can meet its obligations and other cash outflows on a timely basis. The Group is required to monitor it's own liquidity position and reports monthly to the Asia Pacific regional treasury function their cash balances.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group'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 Group'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 Group'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.

2016 - Group	Less than 1 year $'000	>1 year $'000	Total $'000
Financial Liabilities			
Payables	6,032	-	6,032
Employee Entitlements	2,621	-	2,621
Other liabilities	451	-	451
Insurance liabilities	12,522	-	12,522
Letters of credit and guarantees issued	1,108	-	1,108
Life investment contract liabilities	3,420	-	3,420
Total	26,154	-	26,154

2015 - Group	Less than 1 year $'000	>1 year $'000	Total $'000
Financial Liabilities			
Payables	7,195	-	7,195
Employee Entitlements	2,901	-	2,901
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	27,723	-	27,723

The Group does not expect the guarantees to be called. These guarantees are $900k for Payroll Letter of Credit & $200k (AUD) for a Reinsurance Agreement. 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.

19 Financial Risk Management continued

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 Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk through its fixed interest investments and cash holdings. The Group manages its exposure through the use of an investment manager. The Group'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 the impact on post tax profits and equity would have been as follows:

	Group 2016 +100bpts/(100bpts) $'000	Group 2015 +100bpts/(100bpts) $'000
Effect on Profit and Equity		
Cash and cash equivalents	86 / (86)	42 / (42)
Financial assets at fair value through profit or loss	1,115 / (1,115)	1,115 / (1,115)

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 Group's functional currency. The Group 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 Group 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:

	Group 2016 +10%/(10%) $'000	Group 2015 +10%/(10%) $'000
Effect on Profit and Equity	167 / (167)	331 / (331)

Credit risk exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group'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 Group'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 2016 (2015: nil) there was no significant credit risk exposure to one single entity, excluding companies within the Cigna Global Group. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, term deposits, insurance receivables and investment debtors, sundry debtors and related party loans and receivables, the Group'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 Group.

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

19 Financial Risk Management continued

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.

	2016 - Group		2015 - Group	
Cash and cash equivalents	%	$'000	%	$'000
A+	1%	120	2%	72
AA-	99%	8,510	98%	4,106
Total cash and cash equivalents	**100%**	**8,630**	**100%**	**4,178**
Term investments				
AA-	100%	3,400	100%	29,900
Total term investments	**100%**	**3,400**	**100%**	**29,900**
Fixed interest				
AAA	2%	2,659	5%	5,148
AA+	53%	58,120	46%	50,972
AA	0%	-	0%	-
A+	6%	6,682	6%	6,764
AA-	39%	42,101	43%	48,591
Total fixed interest	**101%**	**109,562**	**100%**	**111,475**

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 Group's financial position and performance but are not included as they do not satisfy the recognition criteria.

20 Business Combination Note

Summary of acquisition

On 14 April 2016, Grown Ups New Zealand Limited was incorporated and capitalised with $1 million of share capital. Grown Ups New Zealand Limited acquired 100% of the assets of Grown Ups Limited for the consideration of $750k, which was made up of a combination of cash and a contingent amount payable upon reaching future cash flow targets. The acquisition is intended to increase the reach of marketing for the Company into the specific over 50's target market, as well as continue to promote health and wellbeing and other areas of interest for over 50 year olds.

	$'000
Purchase consideration:	
Cash paid	600
Deferred consideration*	150
Total Purchase Consideration	750

*The deferred consideration is in relation to the event that certain pre-determined revenue and membership targets are achieved by the Subsidiary for the measurement year ended 30 June 2018. For the purposes of measurement in these consolidated Group statements, as at 31 December 2016 the fair value of this contingent consideration has been measured based on 100% probability of payment.

All assets acquired have been valued at $0 fair value and no liabilities were acquired (no cash or bank overdraft facilities were acquired). The new entity will therefore recognise the total consideration paid as an asset to the value of $750k Goodwill.

The goodwill is attributable to the membership base and advertising reach associated with the website of the acquired business. It will not be deductible for tax purposes.

There were no further additions in the year ended 31 December 2016.

21 Operating lease commitments

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

	Note	Group 2016 $'000	Group 2015 $'000
Payable no later than one year		1,144	1,395
Payable later than one year and not later than five years		4,555	5,304
Payable later than five years		3,651	4,515

The Group leases premises in three locations (2015: two). Two are under non-cancellable operating leases, with lease terms are between 6 and 9 years, with the option to break one lease agreement after 3 years. Both lease agreements include provisions for rights of renewal at market rates. The third lease is for carpark and desk space which is cancellable on one month's notice.

On 1 August 2016 the Company excercised an early exit clause in relation to the Auckland operating lease. This reduced the remaining term from 5 years (ending 2020) to an end date of 30 April 2017. This reduced the remaining lease commitments payable.

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

22 Contingent liabilities

The Group had no material contingent liabilities at balance date (2015: Nil).

23 Capital commitments

The Group had no material capital commitments at balance date (2015: Nil).

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24 Related party information

The Group 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 Group.

a) Key management personnel compensation

	Note	Group 2016 $'000	Group 2015 $'000
Salaries and other short term benefits		2,024	2,132
Post employment benefits		199	136
Employee share options & restricted stock expense		115	130
Termination benefits		217	35
Directors fees		150	145

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 Group considers the Directors and Senior Management team as Key Management Personnel.

b) Transactions with other related companies

		Note	Group 2016 $'000	Group 2015 $'000
Cigna APAC Holdings Limited	Recharge of goods and services		12	25
Cigna Finans Emeklilek ve Hayat A.S.	Recharge of goods and services		455	189
Cigna Chestnut Holdings Limited	Recharge of goods and services		-	1
Cigna Europe Insurance Company S.A - N.V	Recharge of goods and services		9	41
Cigna Global Reinsurance Company Limited	Reinsurance premiums paid		(1,318)	(1,370)
Cigna Global Reinsurance Company Limited	Reinsurance commission earnt		297	309
Cigna Global Reinsurance Company Limited	Reinsurance claims recovery		1,612	1,139
Cigna HLA Technology Services Company Limited	Recharge of goods and services		(778)	(615)
Cigna Insurance Services (Europe) Limited	Recharge of goods and services		2	-
Cigna International Corporation	Recharge of goods and services		(453)	(538)
Cigna Worldwide Life Insurance Company Limited	Recharge of goods and services		15	
Cigna International Corporation - Hong Kong Branch	Recharge of goods and services		744	531
LINA Life Insurance Company of Korea	Recharge of goods and services		61	(6)
Cigna Insurance Public Company Limited	Recharge of goods and services		-	11

c) Related party balances outstanding

		Note	Group 2016 $'000	Group 2015 $'000
Receivables				
Cigna Global Reinsurance Company Limited	Reinsurance commission earnt		216	80
Cigna Global Reinsurance Company Limited	Reinsurance claims recovery		1,539	831
		5	***1,755***	***911***
Cigna APAC Holdings Limited	Recharge of goods and services		6	30
Cigna Chestnut Holdings Limited	Recharge of goods and services		-	5
Cigna Insurance Services (Europe) Limited	Recharge of goods and services		2	-
Cigna Worldwide Life Insurance Company Limited	Recharge of goods and services		15	-
Cigna International Corporation - Hong Kong Branch	Recharge of goods and services		202	182
Cigna International Corporation	Recharge of goods and services		56	-
Cigna Finans Emeklilek ve Hayat A.S.	Recharge of goods and services		17	24
Cigna Europe Insurance Company S.A - N.V	Recharge of goods and services		-	41
		14	***298***	***282***
Payables				
Cigna Global Reinsurance Company Limited	Reinsurance premiums	17	***(965)***	***(350)***
Cigna Chestnut Holdings Limited	Recharge of goods and services		-	(6)
Cigna International Corporation	Recharge of goods and services		(230)	(197)
Cigna HLA Technology Services Company Limited	Recharge of goods and services		(41)	(52)
Cigna International Corporation - Hong Kong Branch	Recharge of goods and services		(16)	(12)
LINA Life Insurance Company of Korea	Recharge of goods and services		(52)	-
		17	***(339)***	***(267)***

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25 Changes to comparatives

Other than the amendments made within note 6, where we have restated comparitives to ensure consistency with the level of granularity of 2016 actuarial assumptions, there have been no changes to the comparative balances.

26 New standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year. The Group has not adopted any new standards for the first time for the financial year beginning on 1 January 2016.

27 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 Group:

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 Other Comprehensive Income and fair value through profit or loss. 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 Other Comprehensive Income. 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 does not currently hedge account and as such it is not anticipated that the new standard will have a material impact on the Group.

NZ IFRS 16: leases, will require all leases, other than short term leases, to be recorded in the Statement of Financial Position. Currently, the Company only enters into operating leases, and does not enter any finance leases. Under the new standard, all leases will be measured and accounted for as if they are finance leases, with lease assets and liabilities being recognised in the Statement of Financial Position. This recognition will result in different accounting treatment through profit or loss with a greater proportion of the overall lease cost being recognised in the early years of the lease (due to a higher interest charge) than in the later stages. The standard is effective for periods beginning on or after 1 January 2019. Management are in the process of gathering the necessary information to be able to apply the new standard for the comparative year end, December 2018.

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 Group.

28 Subsequent events

There were no subsequent events.

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Independent auditor's report

To the shareholders of Cigna Life Insurance New Zealand Limited

Our opinion

In our opinion the consolidated financial statements of Cigna Life Insurance New Zealand Limited (the Company), including its subsidiary (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2016, its financial performance and its cash flows for the year then ended in accordance with the New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

What we audited

Cigna Life Insurance New Zealand Limited consolidated financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of data analytics and other assurance services over the solvency return. The provision of these other services has not impaired our independence as auditors of the Group.

Information other than the financial statements and auditor's report

The directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page5.aspx

Who we report to

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

The engagement partner on the audit resulting in this independent auditor's report is Kevin Brown.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
20 April 2017

Wellington

Cigna

Cigna Life Insurance New Zealand Limited

Section 78 Report in respect of Cigna Life Insurance NZ Limited

Financial Statements as at 31 December 2016

- 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 (IPSA) in the context of full financial statements effective for 31 December 2016.
- 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 2016. For this purpose the actuarial information referred to is the information referred to in section 77(4) of IPSA.
- 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 2016. 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 2016, Cigna NZ is maintaining the required solvency margins imposed by the conditions of its licence under section 21 of IPSA.
- In addition to the Appointed Actuary role I am an employee of Cigna NZ with the title of Chief Actuary. 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 IPSA.

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

20 April 2017