Consumer Insurance Services Limited
Audited financial statements
for the year ended 30 June 2019

Directory

Principal business	Insurance services
Directors	C M da Silva (Chairman) R D Aucutt P ter Brake
Registered office	111 Carlton Gore Road Newmarket Auckland, New Zealand
Auditor	PricewaterhouseCoopers New Zealand 188 Quay Street Private Bag 92162 Auckland, New Zealand
Banker	ANZ Bank of New Zealand Limited ANZ Centre 23-29 Albert Street Auckland, New Zealand
	Bank of New Zealand Limited 80 Queen Street Auckland, New Zealand
Actuary	Melville Jessup Weaver Level 6 57 Fort Street Auckland, New Zealand
Website address	www.flexigroup.co.nz

Directors' report

The Board of Directors has pleasure in presenting the financial statements for the year ended 30 June 2019.

With the agreement of its shareholder, the Company has adopted the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Board of Directors of Consumer Insurance Services Limited authorised these financial statements presented on pages 4 to 24 for issue on 17 October 2019.

For and on behalf of the Board.

Consumer Insurance Services Limited
Financial statements -30 June 2019

Contents

Statement of comprehensive income

For the year ended 30 June 2019

	Note	**30-Jun-19 $000**	30-Jun-18 $000
Premium income	4	**5,951**	5,911
Interest income		**73**	126
Total operating income		**6,024**	6,037
Acquisition cost expense	8	**(1,180)**	(1,183)
Operating expenses	21(d)(ii)	**(1,620)**	(2,349)
Insurance claims and loss adjustment expenses	5	**(548)**	(612)
Total expenses		**(3,348)**	(4,144)
Profit before income tax expense		**2,676**	1,893
Income tax expense	7	**(749)**	(530)
Profit after income tax expense		**1,927**	1,363
Total comprehensive income		**1,927**	1,363
Total comprehensive income is attributable to:			
Shareholder of Consumer Insurance Services Limited		**1,927**	1,363

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2019

	Note	30-Jun-19 $000	30-Jun-18 $000
Assets			
Cash and cash equivalents		**5,076**	3,452
Short term deposits		**-**	1,000
Related party receivables	21(d)(i)	**622**	405
Deferred acquisition costs	8	**46**	52
Sundry debtors		**17**	16
Total assets		**5,761**	4,925
Liabilities			
Payables		**25**	30
Current tax liabilities		**252**	152
Outstanding claims liability	9	**299**	367
Unearned premium liability	10	**244**	260
Deferred tax liabilities	12	**13**	15
Total liabilities		**833**	824
Net assets		**4,928**	4,101
Equity			
Share capital		**3,500**	3,500
Retained earnings		**1,428**	601
Total equity		**4,928**	4,101

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

The Board of Directors of Consumer Insurance Services Limited authorised these financial statements presented on pages 4 to 24 for issue on 17 October 2019.

For and on behalf of Board.

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Statement of changes in equity

For the year ended 30 June 2019

	Note	Attributable to equity holders of the Company		
		Share capital $000	**Retained earnings $000**	**Total equity $000**
As at 1 July 2017		3,500	1,738	5,238
Year ended 30 June 2018				
Profit after income tax expense		-	1,363	1,363
Total comprehensive income		-	1,363	1,363
Transactions with owners				
Dividends	14	-	(2,500)	(2,500)
Total transactions with owners		-	(2,500)	(2,500)
As at 30 June 2018		3,500	601	4,101
As at 1 July 2018		3,500	601	4,101
Year ended 30 June 2019				
Profit after income tax expense		-	1,927	1,927
Total comprehensive income		-	1,927	1,927
Transactions with owners				
Dividends	14	-	(1,100)	(1,100)
Total transactions with owners		-	(1,100)	(1,100)
As at 30 June 2019		3,500	1,428	4,928

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June 2019

	Note	30-Jun-19 $000	30-Jun-18 $000
Cash flows from operating activities			
Insurance premium received		**5,935**	5,911
Interest received		**82**	151
Claims paid		**(616)**	(622)
Net payments to related parties		**(3,027)**	(3,821)
Income tax paid		**(650)**	(200)
Net cash inflow from operating activities		**1,724**	1,419
Cash flows from investing activities			
Proceeds from short term deposits		**1,000**	1,000
Net cash inflow from investing activities		**1,000**	1,000
Cash flows from financing activities			
Dividends paid	14	**(1,100)**	(2,500)
Net cash outflow from financing activities		**(1,100)**	(2,500)
Net increase/(decrease) in cash and cash equivalents		**1,624**	(81)
Cash and cash equivalents at beginning of the year		**3,452**	3,533
Cash and cash equivalents at end of the year		**5,076**	3,452

Reconciliation of profit after income tax expense to net cash inflow from operating activities

	30-Jun-19 $000	30-Jun-18 $000
Profit after income tax expense for the year	**1,927**	1,363
Movement in accrued interest	**9**	25
Movement in deferred acquisition cost	**6**	-
Movement in current tax	**100**	330
Movement in related party balances	**(217)**	(284)
Movement in other assets	**(10)**	(3)
Movement in deferred tax liabilities	**(2)**	-
Movement in payables	**(5)**	(2)
Movement in outstanding claims liability	**(68)**	(10)
Movement in unearned premium liability	**(16)**	-
Net cash inflow from operating activities	**1,724**	1,419

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

1 General accounting policies

Reporting entity

These financial statements are for Consumer Insurance Services Limited as a separate legal entity.

Consumer Insurance Services Limited (the "Company") provides insurance services in New Zealand.

The Company has ceased selling and renewing insurance policies from 7 June 2019.

The address of its registered office is 111 Carlton Gore Road, Newmarket, Auckland.

Statutory base

The Company is a limited liability company incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993.

Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice ("GAAP"). The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"), other interpretations as appropriate for for-profit entities and International Financial Reporting Standards ("IFRS").

The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Companies Act 1993. The Company is a Financial Markets Conduct reporting entity under the Financial Markets Conduct Act 2013.

The Company is a for-profit entity for the purposes of complying with GAAP.

These financial statements have been approved for issue by the Board of Directors on 17 October 2019.

Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value.

The going concern and accrual basis of accounting have been applied.

These financial statements are presented in New Zealand dollars, which is the Company's functional currency. All amounts in these financial statements have been rounded in thousands unless otherwise stated.

Comparative revisions

Comparative information has been revised where appropriate to conform to changes in presentation in the current year and to enhance comparability. Where there has been a material restatement of comparative information the nature of, and the reason for, the restatement is disclosed in the relevant note.

2 Summary of significant accounting policies

(a) Interest income

Interest income on bank and other interest bearing financial assets is recognised in the statement of comprehensive income using an effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocation of the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

(b) Premium revenue

Premium revenue includes amounts charged to the insured but excludes fire service levies, goods and services tax ("GST") and other amounts collected on behalf of third parties.

2 Summary of significant accounting policies

Premium revenue is recognised in the statement of comprehensive income from the attachment date over the period of the contract. Premium revenue is earned in accordance with the pattern of the underlying exposure to risk expected under the insurance contract.

The portion of premium received or receivable not earned in the statement of comprehensive income at the balance date is recognised in the statement of financial position as unearned premium liability.

(c) Income tax

The income tax expense for the year is the taxation payable on the current year's taxable income at tax rates that have been enacted or substantively enacted as at the balance date. This is adjusted by changes in deferred tax assets and deferred tax liabilities.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the balance date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are only recognised to the extent that it is probable that future taxable amounts will be available against which the asset can be utilised.

Current and deferred tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

(d) GST

Revenue, expenses and assets are recognised net of GST except to the extent that GST is not recoverable from the Inland Revenue. In these circumstances, GST is recognised as part of the expense or cost of the asset.

(e) Cash and cash equivalents

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

(f) Financial assets and financial liabilities

Financial assets

The Company's financial assets comprise such items as cash and cash equivalents, short term deposits, related party receivables and sundry debtors.

(i) Financial assets at amortised cost

From 1 July 2018, NZ IFRS 9 (2014) *Financial Instruments* has three classification categories for financial assets; amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification is based on the business model under which the financial instrument is managed and its contractual cash flows. The Company has applied the following policies for the newly adopted classification categories under NZ IFRS 9 (2014):

Amortised cost – A financial asset will be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Cash and cash equivalents, short term deposits, related party receivables and other financial assets are measured at amortised cost.

FVTOCI – A financial asset will be measured at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

2 Summary of significant accounting policies

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Company had no assets in this category as at 30 June 2019.

(ii) Financial assets at fair value

FVTPL – All financial assets that are not measured at amortised cost or FVTOCI will be measured at FVTPL. All financial assets that are equity instruments will be measured at FVTPL unless the Company irrevocably elects to present subsequent changes in the fair value in other comprehensive income. The Company does not expect to make this election.

The Company had no assets in this category as at 30 June 2019.

Purchases and sales of financial assets are recognised at trade date. Financial assets are derecognised when the rights to receive the cash flows have expired or the Company has transferred substantially all risks and rewards of ownership.

Before the adoption of NZ IFRS 9 (2014) the comparative period of these financial statements reflect financial assets accounted for in accordance with NZ IFRS 9 (2013) *Financial Instruments.* The Company classified its financial assets as measured at either amortised cost or fair value through profit or loss (FVTPL) depending on the Company's business model and the contractual cash flow characteristics of the financial assets.

(i) Financial assets measured at amortised cost

An asset was classified as measured at amortised cost only if both the following criteria were met:

- the objective of the Company's business model was to hold the asset to collect the contractual cash flows; and
- the contractual terms gave rise to cash flows that were solely payments of principal and interest on the principal outstanding.

Cash and cash equivalents, related party receivables and other financial assets were measured at amortised cost.

(ii) Financial assets measured at FVTPL

If either of the two criteria above were not met, the asset was classified as measured at FVTPL. In addition short term deposits held to back insurance liabilities were designated as measured at FVTPL as at 30 June 2018 to eliminate or significantly reduce a measurement or recognition inconsistency that otherwise would arise from measuring assets or liabilities or recognising the gains or losses on different bases.

Other than in relation to short term deposits which were previously designated as measured at FVTPL and are now measured at amortised cost, there have been no further changes in classification and measurement of financial assets as a result of the adoption of NZ IFRS 9 (2014).

Financial liabilities

Financial liabilities are recognised when an obligation arises.

The Company's financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest method.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

(g) Impairment of financial assets

NZ IFRS 9 (2014) replaces the incurred loss model of NZ IAS 39 with an expected loss model. Under the expected credit loss model, the Group applies a three stage approach to measuring the expected credit loss (ECL) based on credit migration between the stages.

Stage 1: 12 month ECL - No significantly increased credit risk. Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition, a provision for ECL associated with the probability of default events occurring within the next 12 months (12 month ECL). For those financial assets with a remaining maturity of less than 12 months, a probability of default is used that corresponds to the remaining maturity.

Stage 2: Lifetime ECL - Significantly increased credit risk. In the event of a significant increase in credit risk since initial recognition, a provision is required for the lifetime ECL representing losses over the life of the financial instrument (lifetime ECL).

2 Summary of significant accounting policies

Stage 3: Lifetime ECL - Defaulted. Financial instruments that move into Stage 3 once credit impaired and purchase of credit impaired assets will require a lifetime provision.

There is no material impact to the Company from the application of the new impairment rules as the financial assets held are short term in nature and have a low risk of default.

(h) Assets backing general insurance liabilities

As part of its investment strategy the Company actively manages its money market deposits to ensure that sufficient liquid funds are available to meet the expected pattern of future cash flows arising from general insurance liabilities.

The Company has determined that its money market deposits are held to back general insurance liabilities.

(i) Liability adequacy test

Liability adequacy testing is performed in order to recognise in the statement of comprehensive income any deficiencies arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs and intangible assets not meeting the estimated future claims under current insurance contracts. The estimated future claims under current insurance contracts are measured using the present value of the expected cash flows relating to future claims and associated expenses (discounted using a risk free interest rate) plus an additional risk margin to reflect the inherent uncertainty of those estimated cash flows.

(j) Acquisition costs

Acquisition costs incurred in obtaining general insurance contracts are deferred and recognised as assets when they can be reliably measured and it is probable that they will give rise to premium revenue in subsequent reporting periods.

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

(k) Outstanding claims liability

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

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

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

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

The outstanding claims liability has been determined using the Bornhuetter-Ferguson (incurred claims) methodology (an actuarial method). It has been assumed that future incurred claims patterns for each class of business will continue to follow observed historic patterns.

(l) Share capital

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs.

Dividends on ordinary shares are recognised in equity in the year in which they are approved by the Company's directors.

(m) Offsetting

The Company does not apply offsetting. The Company does not have any material financial assets or financial liabilities which are subject to enforceable master netting arrangements or similar agreements.

(n) Statement of Cash Flows

The net payments to related parties have been shown on a net basis in the statement of cash flows in accordance with NZ IAS 7 *Statement of Cash Flows*

2 Summary of significant accounting policies

(o) New and amended standards adopted

Other than NZ IFRS 9 (2014) *Financial instruments* (refer to notes 1 (f) and 1 (g)), the Company has not adopted any new or amended standards in the year ended 30 June 2019 that have had a material impact on the financial statements.

(p) Changes in accounting policies

There have been no significant changes in accounting policies during the current year. Accounting policies have been applied on a basis consistent with the prior year.

(q) Standards, interpretations and amendments to published standards that are not yet effective

The following new standard relevant to the Company has been issued:

- NZ IFRS 17:*Insurance Contracts:* This standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts that fall within the scope of the standard. NZ IFRS 17 is mandatory for the Company's financial statements and is expected to apply for periods beginning on or after 1 January 2022. It will replace the current standard, NZ IFRS 4:*Insurance Contracts.*The Company is still assessing the impact on the Company's results.

Other new standards, interpretations and amendments are not considered to have a material impact on the Company's financial statements.

3 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year is discussed below.

Outstanding claims liability

The estimated cost of claims includes direct expenses to be incurred in settling claims. IBNR claims may not be apparent to the Company until several months after the events. In calculating the estimated cost of unpaid claims the Company used estimation techniques. Refer to note 16.

4 Premium income

	30-Jun-19 $000	30-Jun-18 $000
Gross written premiums	**5,935**	5,911
Movement in unearned premiums (note 10)	**16**	-
Premium income	**5,951**	5,911

5 Insurance claims and loss adjustment expenses

	30-Jun-19 $000	30-Jun-18 $000
Gross claims expense		
Risks borne in the current year	**531**	598
Reassessment of risks borne in previous periods	**20**	18
Other recoveries revenue		
Reassessment of risks borne in previous periods	**(3)**	(4)
	548	612

6 Net underwriting result

	30-Jun-19 $000	30-Jun-18 $000
Analysis of insurance operating result		
Premium revenue	**5,951**	5,911
Gross claims expense	**(551)**	(616)
Other recoveries revenue	**3**	4
Insurance claims and loss adjustment expenses	**(548)**	(612)
Acquisition cost expense	**(1,180)**	(1,183)
Other underwriting expenses	**-**	-
Expenses	**(1,180)**	(1,183)
Net underwriting result	**4,223**	4,116

7 Income tax expense

	30-Jun-19 $000	30-Jun-18 $000
(a) Income tax expense		
Current tax	**751**	530
Deferred tax - temporary differences (note 12)	**(2)**	-
Total income tax expense	**749**	530
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**2,676**	1,893
Tax at the New Zealand tax rate of 28.0% (30 June 2018: 28.0%)	**749**	530

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8 Deferred acquisition costs

	30-Jun-19 $000	30-Jun-18 $000
Opening balance	**52**	52
Acquisition cost deferred	**1,174**	1,183
Amortisation charged to statement of comprehensive income	**(1,180)**	(1,183)
Closing balance	**46**	52
Current	**46**	52
Non-current	**-**	-
Total deferred acquisition costs	**46**	52

9 Outstanding claims liability

	30-Jun-19 $000	30-Jun-18 $000
(a) Outstanding claims liability		
Central estimate	**201**	246
Discount to present value	**(2)**	(3)
	199	243
Claims handling costs	**53**	67
	252	310
Risk margin	**47**	57
Gross outstanding claims liability	**299**	367
Gross claims incurred - undiscounted	**301**	370
Current	**247**	305
Non-current	**52**	62
Total	**299**	367

(b) Risk margin

Process for determining risk margin

The overall risk margins for both outstanding claims and liability adequacy testing have been determined using stochastic techniques allowing for diversification and having regard to the inherent variation observed in historical claims development. The risk margins for the portfolio are applied to the central estimates in order to arrive at an overall provision that is intended to provide a probability of sufficiency of 75% (30 June 2018: 75%).

	30-Jun-19 %	30-Jun-18 %
Risk margin applied		
Overall risk margin	**20.6**	20.6

(c) Reconciliation of movement in outstanding claims liability

	30-Jun-19 $000	30-Jun-18 $000
Opening balance	**367**	377
Incurred claims recognised in statement of comprehensive income	**548**	612
Claims payments	**(616)**	(622)
Closing balance	**299**	367

9 Outstanding claims liability

(d) Claims development tables

Claims development tables have not been provided as claims are typically resolved within one year.

10 Unearned premium liability

	30-Jun-19 $000	30-Jun-18 $000
Opening balance	**260**	260
Deferral of premiums	**5,935**	5,911
Earning of premiums	**(5,951)**	(5,911)
Closing balance	**244**	260
Current	**244**	260
Non-current	**-**	-
Total	**244**	260

11 Liability adequacy test

The liability adequacy test has identified a surplus for the Company's insurance contracts.

	30-Jun-19 $000	30-Jun-18 $000
Unearned premium liability	**244**	260
Deferred acquisition costs	**(46)**	(52)
Net premium unearned liability	**198**	208
Central estimate of present value of expected future cash flows arising from future claims on contracts issued	**60**	57
Risk margin 25.2% (30 June 18: 25.3%)	**11**	11
Present value of expected future cash flows for future claims	**71**	68
Net surplus	**127**	140

The process for determining the overall risk margin, including the way in which diversification of risks has been allowed for, is discussed in note 9(b). As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of adequacy.

12 Deferred tax liabilities

	30-Jun-19 $000	30-Jun-18 $000
The balance comprises temporary differences attributable to:		
Deferred acquisition costs	**13**	15
Opening balance	**15**	15
Credited to income tax expense (note 7)	**(2)**	-
Closing balance	**13**	15

13 Share capital

	30-Jun-19 Shares 000	30-Jun-18 Shares 000	30-Jun-19 $000	30-Jun-18 $000
Ordinary shares fully paid	**3,500**	3,500	**3,500**	3,500

At 30 June 2019 the total number of authorised shares was 3.5 million (30 June 2018: 3.5 million) with no par value. All issued shares are fully paid.

Ordinary shares have no par value and entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

14 Dividends

On 21 September 2017 a dividend of 14.3 cents per fully paid share amounting to $500,000 was paid.

On 14 March 2018 a dividend of 57.1 cents per fully paid share amounting to $2,000,000 was paid.

On 14 September 2018 a dividend of 14.3 cents per fully paid share amounting to $500,000 was paid.

On 11 March 2019 a dividend of 17.1 cents per fully paid share amounting to $600,000 was paid.

On 23 September 2019 a dividend of 40.0 cents per fully paid share amounting to $1,400,000 was paid.

15 Insurance contracts - risk management policies and procedures

The general insurance business of the Company involves a number of non-financial risks.

The risk management activities include prudent policy guidelines, pricing and management of risk, together with claims management, reserving and investment management. The objective of these disciplines is to enhance the financial performance and manage the risk profile of the insurance operations.

(a) Financial soundness

The Company ensures the financial soundness of its operations by: (i) maintaining a strong capital base to safeguard its ability to continue as a going concern and (ii) investing its assets in accordance with Board approved treasury policy.

(b) Concentration of insurance risk

The Company is exposed to two classes of business: Payment Protection Cover and Goods Cover. Payment Protection Cover protects customers' ability to meet or partially meet their repayment of credit or loans if the customer faces circumstances that may prevent them from earning an income to service the debt. Goods Cover protects customers in the event of the accidental loss, damage, destruction or theft of the goods on products purchased through Flexi Cards Limited and its subsidiaries.

(c) Insurance company rating

Rating	**30-Jun-19**	**30-Jun-18**
Insurer financial strength rating	B++(good)	B++(good)
Issuer credit rating	bbb	bbb
Ratings outlook	Negative	Stable

On 17 May 2019 AM Best Company Limited reaffirmed the Company's insurer financial strength rating of "B++ (good)" and the Company's issuer credit rating to "bbb". The outlook for both ratings is negative at 30 June 2019 (30 June 2018: stable). The negative outlook reflects the Company's diminishing business profile and the increased risk of regulatory oversight.

(d) Licence

The Company holds a licence from the Reserve Bank of New Zealand to carry on non-life insurance business in New Zealand. The requirement to be licensed is a requirement of the Insurance (Prudential Supervision) Act 2010.

16 Insurance - assumptions and methods

The insurance written by the Company is short tail in nature meaning that claims are typically settled within one year of being reported.

The cost of claims notified to the Company at the balance date are estimated on a case by case basis to reflect the individual circumstances of each claim.

Actuarial assumptions

The following assumptions have been made in determining the outstanding claims liabilities.

	30-Jun-19	30-Jun-18
Average weighted term to settlement from balance date	**7.3 mths**	7.3 mths
Expense rate	**26.3%**	27.3%

Process used to determine assumptions

Average weighted term to settlement

The average weighted term to settlement is calculated separately by class of business based on historic settlement patterns.

The assumed loss ratio of 10% (30 June 2018: 12%) was determined by a consideration of observed ultimate loss ratios for earlier loss quarters. This process requires professional judgement due to variation from quarter to quarter due to the relatively small size of the portfolio.

Future incurred claims settlement patterns

The outstanding claims liability has been determined using the Bornhuetter-Ferguson (incurred claims) methodology. It has been assumed that future incurred claims settlement patterns for each class of business will continue to follow observed historic patterns.

Expense rate

Claims handling expenses were calculated by reference to past experience of claims handling costs.

Inflation and discount rates

For outstanding claims liabilities, the period between the valuation date and the settlement date of most claims is expected to be short and the increase in costs as a result of inflation is not likely to be material. The outstanding claims liabilities have been discounted for the time value of money using rates of 1.1% to 1.6% (30 June 2018: 1.8% to 2.2%).

Sensitivity analysis - insurance contracts

An increase/decrease of 10% in the key variables (average weighted term to settlement, assumed loss ratios, future incurred claims settlement patterns and expense rate) does not have a material impact on the Company's profit or equity.

17 Actuarial information

Craig Lough of Melville Jessup Weaver ("MJW"), a Fellow of the New Zealand Society of Actuaries, was appointed as the Actuary of Consumer Insurance Services Limited in accordance with the Insurance (Prudential Supervision) Act 2010.

An Insurance Liability Valuation Report effective 30 June 2019 was provided by MJW to the Company. Overall, the Actuary confirmed that he is satisfied with the nature, accuracy and sufficiency of the information provided to him.

The key assumptions used by the Actuary in determining the outstanding claims liability are included in note 16.

18 Imputation credits

The Company is a member of the FlexiGroup consolidated income tax group and can access imputation credits of the imputation group. The amount of imputation credits available to the Company as at 30 June 2019 is $44,565,000 (30 June 2018: $28,424,000).

19 Financial risk management

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest revenues may increase or decrease as a result of changes in market interest rates.

The Company is a controlled entity of FlexiGroup (New Zealand) Limited, which operates an Asset and Liability Committee ("ALCO") that is responsible for managing interest rate risk in accordance with its charter and treasury risk management policies. In addition, the Company operates an Insurance Committee ("INSCO"), which along with ALCO, oversees the management of interest rate risk.

Cash flow sensitivity analysis

The following tables summarise the sensitivity of the Company's financial assets and financial liabilities held at reporting date to cash flow interest rate risk. The analysis demonstrates the impact of a +/- 100 basis point change in interest rates, with all other variables held constant, on the Company's after-tax profits and equity.

		Cash flow interest rate risk			
		-1%		+1%	
30 June 2019	Carrying amount $000	Profit after income tax expense $000	Equity $000	Profit after income tax expense $000	Equity $000
Financial assets					
Cash and cash equivalents	5,076	(25)	(25)	25	25
Related party receivables	622	-	-	-	-
Other financial assets	14	-	-	-	-
Financial liabilities					
Payables	(25)	-	-	-	-
Total (decrease)/increase		(25)	(25)	25	25

		Cash flow interest rate risk			
		-1%		+1%	
30 June 2018	Carrying amount $000	Profit after income tax expense $000	Equity $000	Profit after income tax expense $000	Equity $000
Financial assets					
Cash and cash equivalents	3,452	(25)	(25)	25	25
Short term deposits	1,000	(7)	(7)	7	7
Related party receivables	405	-	-	-	-
Other financial assets	13	-	-	-	-
Financial liabilities					
Payables	(30)	-	-	-	-
Total (decrease)/increase		(32)	(32)	32	32

No fair value sensitivity analysis has been disclosed due to the impact of reasonably possible changes in interest rates not being material as at 30 June 2019 and 30 June 2018.

19 Financial risk management

(b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations. It includes the risk that the Company may have insufficient liquid funds, or may not be able to raise sufficient funds to meet its payment obligations. This situation can arise if there is a significant mismatch of its financial assets and financial liabilities.

ALCO oversees all aspects of balance sheet risk assessment and management, including liquidity risk. ALCO has a formal charter which outlines its role and responsibilities. All treasury related activity must comply with formal treasury risk management policies.

The Company manages liquidity risk by monitoring day to day funding requirements and balance sheet liquidity ratios.

Maturity analysis

The tables below present the Company's cash flows by remaining contractual maturities at balance date. The amounts disclosed are the contractual undiscounted cash flows and therefore may not agree to the carrying values on the balance sheet.

	Call	Up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 5 years	Over 5 years	Total
30 June 2019	$000	$000	$000	$000	$000	$000	$000
Financial assets							
Cash at bank	1,576	3,500	-	-	-	-	5,076
Related party receivables	-	622	-	-	-	-	622
Other financial assets	-	14	-	-	-	-	14
	1,576	4,136	-	-	-	-	5,712
Financial liabilities							
Payables	-	(25)	-	-	-	-	(25)

	Call	Up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 5 years	Over 5 years	Total
30 June 2018	$000	$000	$000	$000	$000	$000	$000
Financial assets							
Cash and cash equivalents	352	3,100	-	-	-	-	3,452
Short term deposits	-	1,000	-	-	-	-	1,000
Related party receivables	-	405	-	-	-	-	405
Other financial assets	-	13	-	-	-	-	13
	352	4,518	-	-	-	-	4,870
Financial liabilities							
Payables	-	(30)	-	-	-	-	(30)

19 Financial risk management

The tables below analyse the Company's cash flows from insurance assets and insurance liabilities by expected maturities at balance date.

30 June 2019	Up to 6 months $000	Over 6 months and up to 1 year $000	Over 1 year and up to 2 years $000	Over 2 years and up to 5 years $000	Over 5 years $000	Total $000
Insurance assets						
Deferred acquisition costs	46	-	-	-	-	46
Insurance liabilities						
Outstanding claims liability	209	38	27	24	1	299
Unearned premium liability	244	-	-	-	-	244
	453	38	27	24	1	543

30 June 2018	Up to 6 months $000	Over 6 months and up to 1 year $000	Over 1 year and up to 2 years $000	Over 2 years and up to 5 years $000	Over 5 years $000	Total $000
Insurance assets						
Deferred acquisition costs	52	-	-	-	-	52
Insurance liabilities						
Outstanding claims liability	258	47	33	28	1	367
Unearned premium liability	260	-	-	-	-	260
	518	47	33	28	1	627

(c) Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit exposures arise principally in relation to cash and cash equivalents and short term deposits held with other entities and related party receivables.

The Company is a controlled entity of FlexiGroup (New Zealand) Limited, which has a Credit Committee which oversees all aspects of credit risk assessment and management across the group. The Credit Committee operates within formal credit policies and guidelines approved by the Board.

Maximum exposure to credit risk before collateral held or other credit enhancements

	30-Jun-19 $000	30-Jun-18 $000
Cash and cash equivalents	**5,076**	3,452
Short term deposits	**-**	1,000
Related party receivables	**622**	405
Other financial assets	**14**	13
	5,712	4,870

The above table shows the maximum credit risk exposure at 30 June 2019 and 30 June 2018. No collateral is held by the Company for the assets listed in the table above. Cash and cash equivalents and short term deposits are held with two financial institutions (30 June 2018: 2). At balance date the two financial institutions have a long term credit rating of "AA-" from Standard & Poor's (30 June 2018: "AA-").

While the financial assets noted above are subject to the impairment requirements of NZ IFRS 9 (2014), the identified impairment allowances for expected credit losses was immaterial.

19 Financial risk management

(d) Fair value estimation

The carrying value of all financial assets and financial liabilities approximates their fair value, due to the short term nature of the receivables and obligations. In particular, the carrying values of cash and cash equivalents, short term deposits, related party receivables, sundry debtors and payables approximate their fair values.

(e) Foreign exchange risk

As at 30 June 2019 the Company had no foreign currency exposure (30 June 2018: $Nil).

(f) Other activities

The Company has no involvement in funds management, securitisation, custodial or trust activities.

(g) Financial instruments by category

	At amortised cost $000	Total $000
At 30 June 2019		
Financial Assets		
Cash and cash equivalents	5,076	5,076
Related party receivables	622	622
Other financial assets	17	17
Total	5,715	5,715
Financial Liabilities		
Payables	(25)	(25)
Total	(25)	(25)

	Designated at fair value	At amortised cost	Total
At 30 June 2018			
Financial Assets			
Cash and cash equivalents	-	3,452	3,452
Short term deposits	1,000	-	1,000
Related party receivables	-	405	405
Other financial assets	-	16	16
Total	1,000	3,873	4,873
Financial Liabilities			
Payables	-	(30)	(30)
Total	-	(30)	(30)

20 Contingencies

There were no material contingent assets or liabilities at 30 June 2019 (30 June 2018: $Nil).

21 Related parties

(a) Parent entities

The company is controlled by Flexi Cards Limited ("FCL"), a New Zealand company, which in turn is a wholly owned subsidiary of FlexiGroup (New Zealand) Limited, a New Zealand company. FlexiGroup (New Zealand) Limited is a wholly owned subsidiary of FlexiGroup Limited, an Australian company.

(b) Directors

The names of persons who were directors of the Company at any time during the year ended 30 June 2019 were as follows: C M da Silva; S G Brewis-Weston (ceased 3 September 2018); P ter Brake and R D Aucutt (appointed 3 September 2018).

(c) Key management and personnel compensation

Key management personnel are defined as being Directors and executives of the Company. Compensation to key management personnel for the year ended 30 June 2019 of $197,000 (year ended 30 June 2018: $134,000) was paid by FCL and reimbursed by the Company.

(d) Transactions with related parties

The related party balances are settled on a monthly basis, with no interest charged. FCL's recharges were allocated based on services provided.

(i) Related party receivables comprise of:

	30-Jun-19 $000	30-Jun-18 $000
Receivable from		
- Other entities controlled by ultimate parent	**276**	316
- FCL	**346**	89
	622	405

(ii) Other transactions

Other transactions with related parties are shown below:

	30-Jun-19 $000	30-Jun-18 $000
Amounts paid to auditor by FCL on behalf of Company		
- Audit of financial statements	**25**	25
- Other assurance related services (assurance over solvency return)	**7**	4
Dividends paid to FCL (note 14)	**1,100**	2,500
Insurance premiums collected by entities controlled by the ultimate parent company	**5,935**	5,911
Insurance commissions paid to entities controlled by the ultimate parent company	**1,180**	1,183
Overheads recharged by FCL	**1,620**	2,349

22 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to its shareholder; and
- to maintain a strong capital base to support the development of its business.

The level of capital is determined by the Board taking into account the requirements of the Insurance (Prudential Supervision) Act 2010 and the Solvency Standard for Non-life Insurance Business, as well as internal policies.

22 Capital risk management

The Solvency Standard for Non-life Insurance Business requires a licensed insurer to:

- at all times, maintain a Solvency Margin as defined in the solvency standard. The Solvency Margin must always be a positive amount, and a licensed insurer must maintain Actual Solvency Capital in excess of the amount required to maintain this Solvency Margin.
- if a licensed insurer has reasonable grounds to believe that a failure to maintain a Solvency Margin is likely to occur at any time within the next three years, the licensed insurer must report the likely failure to the Reserve Bank of New Zealand as soon as is reasonably practicable.

The Company has complied with these minimum capital requirements during the periods reported.

The tables below show the calculation of the solvency capital.

(a) Actual solvency capital

	30-Jun-19 $000	30-Jun-18 $000
Share capital	**3,500**	3,500
Retained earnings	**1,428**	601
Dividend declared post balance date	**(1,400)**	(500)
Total tier one capital	**3,528**	3,601

(b) Minimum solvency capital

	30-Jun-19 $000	30-Jun-18 $000
Capital charges		
Insurance risk	**44**	51
Catastrophe risk	**40**	40
Asset risk	**674**	437
Interest rate risk	**25**	3
Total capital charges	**783**	531
Minimum solvency capital required *	**3,000**	3,000
Solvency margin	**528**	601
Solvency ratio	**118%**	120%

* Minimum solvency capital is the greater of the sum of the capital charges or $3.0 million, as required by the Insurance (Prudential Supervision) Act 2010 and the Solvency Standard for Non-life Insurance Business.

23 Events occurring after the balance date

On 23 September 2019, the Company paid a dividend of $1,400,000 to FCL

The Company has ceased selling and renewing insurance policies from 7 June 2019. The Company's amended licence conditions effective 1 October 2019 requires the Company to:

- maintain a solvency margin of at least zero in accordance with the Solvency Standard for Non-Life Insurance Business in Run-off 2014. The minimum amount of capital has been set as $3million; and
- notify and receive approval from the Reserve Bank before entering into any new contracts of insurance in New Zealand.

There have been no other material subsequent events after the balance date other than as already disclosed.

Independent auditor's report

To the shareholder of Consumer Insurance Services Limited

We have audited the financial statements which comprise:

- the statement of financial position as at 30 June 2019;
- 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 financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements of Consumer Insurance Services Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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 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 Company 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 Company in the area of assurance over the solvency return. Certain partners and employees of our firm may also individually deal with the Company on normal terms within the ordinary course of trading activities of the Company. These matters have not impaired our independence as auditor of the Company.

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

Our audit approach

Overview

An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Overall materiality: $133,800, which represents 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark.

We have determined that there is one key audit matter:

- Valuation of outstanding claims liability

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of outstanding claims liability *2019 $299,000, 2018 $367,000* The valuation of outstanding claims liability is a key audit matter because of the judgements that management makes in determining the balance given the inherent uncertainty in estimating the expected present value of future payments for claims incurred. Management engaged an actuary (the Company's actuary) to assist with the valuation of the outstanding claims liability. The valuation includes a risk margin that allows for the inherent uncertainty in the central estimate of the future claims payments. In determining the risk margin, management takes into account various factors, such as historical experience, quality of underlying data and the level of uncertainty in the central estimate. *Relevant references in the financial statements* Refer to notes 2(k), 9 and 16 to the financial statements, which also describes the elements that comprise the balance.	Our audit procedures included obtaining an understanding of key actuarial controls, including key data reconciliations and management's review of the estimates. Historical claims data is a key input to the actuarial estimates. Accordingly, we: o Evaluated the design effectiveness and tested controls over claims processing; and o Inspected a sample of claims paid during the year to confirm that they were supported by appropriate documentation and approved within delegated authority limits. Together with PwC actuarial experts we: o Evaluated the actuarial methodologies used by comparing with generally accepted methodologies applied in the sector and with the prior year; o Considered the work and findings of the Company's actuary; o Assessed key actuarial judgements and assumptions, including the assumed loss ratios, the claims settlement patterns and the claims handling expenses, and challenged these by comparing with our expectations based on historical results and our own sector knowledge; and o Assessed the risk margin by comparing to known industry practices. We have no matters to report from the procedures performed.

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Information other than the financial statements and auditor's report

The Directors are responsible for the other information included with the financial statements. Our opinion on the financial statements does not cover the other information included with the financial statements 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 financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholder. 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 shareholder 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 Callum Dixon.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
19 October 2019

Auckland

MELVILLE JESSUP WEAVER
Willis Towers Watson Alliance Partner

17 October 2019

Ms S Nakanishi
Head of Financial Control
FlexiGroup (New Zealand) Limited
111 Carlton Gore Road
NEWMARKET 1023

Dear Susan

Consumer Insurance Services Ltd - Section 78 Review

Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010 require that the Appointed Actuary must review and comment on the appropriateness of the actuarial information contained in, or used in the preparation of the Insurer's financial statements as at 30 June 2019.

I note that I produced the Insurance Liability Valuation Report (ILVR) for Consumer Insurance Services Ltd ("CISL") as at 30 June 2019 (dated 12 September 2019) and the Financial Condition Report as at 30 June 2019 (dated 17 October 2019).

Scope & investigation

A key aspect of my review as appointed actuary is what constitutes actuarial information.

The Appendix to this letter details the regulatory requirements on actuarial information and my interpretation of these requirements. It also details the investigations that have been carried out as part of the review.

Summary and conclusion of review

I have reviewed all actuarial information contained in or used to prepare the financial statements of CISL as at 30 June 2019.

In my opinion, all actuarial information has been materially included and used appropriately in the financial statements of CISL as at 30 June 2019.

Declaratory statements

I confirm that I have no relationship with, or interests in CISL, other than as Appointed Actuary.

I have obtained all information and explanations that have been required to carry out this review.

Yours sincerely

Craig Lough FNZSA
Appointed Actuary

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Scope and review of actuarial information **Appendix**

Under section 77 of the IPSA, a licensed insurer is required to ensure that *actuarial information* contained in, or used in the preparation of, the insurer's financial statements and any group financial statements is reviewed by the appointed actuary.

Actuarial information is stated in section 77(4) to mean:

a) Information relating to an insurer's calculation of premiums, claims, reserves, dividends, insurance and annuity rates and technical provisions; and

b) Information relating to assessments of the probability of uncertain future events occurring and the financial implications of the insurer if these uncertain events do occur; and

c) Information specified in the applicable solvency standards as being actuarial information for the purposes of this section.

In relation to c) above, section 130 of the Solvency Standard for Non-Life Insurance Business adds the following to the IPSA specifics of *actuarial information*:

a) The Premium Liabilities as defined in the Solvency Standard;

b) The Net Outstanding Claims Liability as defined in the Solvency Standard;

c) The reinsurance and any other recovery asset(s) relevant to the reinsurance recovery risk capital charge;

d) Any deferred acquisition cost or deferred fee revenue relevant to the premium liabilities; and

e) Any other information deemed by the appointed actuary to warrant actuarial review for the purpose of profit or solvency reporting.

In respect of (e), the only additional piece of information that I considered appropriate to warrant actuarial review was the Liability Adequacy test and in particular the Unearned Premium Reserve.

In respect of the financial accounts, it is recognised that these have been subject to an independent audit.

The scope and review of the actuarial information is detailed below.

1 IPSA section 77(4)(a) - Information relating to an insurer's calculation of premiums, claims, reserves, dividends, insurance and annuity rates and technical provisions.

1.1 Premiums and Claims

In respect of premium and claim information, as part of the ILVR, I have carried out reconciliations between the valuation data (premiums and claims) and the financial information. These reconciliations showed that the premium and claim information was consistent.

1.2 Dividends

In respect of dividends, I note that CISL's capital policy requires that the RBNZ solvency margin must be at least 110%. The total dividends that were paid relating to the period ending 30 June 2019 satisfy these criteria.

1.3 Reserves and technical provisions

I have covered the references to reserves and technical provisions under Insurance Liabilities below.

References to annuity rates are not applicable to CISL.

2 IPSA section 77(4)(b) - Information relating to assessments of the probability of uncertain future events occurring and the financial implications of the insurer if these uncertain events do occur.

Such assessments were used in the preparation of the financial statements. In my calculation of the Insurance Liabilities, a risk margin has been included which makes implicit allowance for these uncertain events.

In my view, the assumptions have been appropriately included in the financial statements and used appropriately therein.

3 IPSA section 77(4)(c) and Solvency Standard

3.1 Insurance Liabilities

The insurance liabilities (premium liabilities and outstanding claims liabilities) used in the accounts were provided by MJW as part of the insurance liability valuation report.

In my view, the insurance liabilities have been used appropriately in the financial statements.

3.2 Reinsurance recoveries

There are no reinsurance or other recoveries for CISL.

3.3 Liability Adequacy Test

The Liability Adequacy Test is described in Note 11 of the Accounts.

In my view, the Liability Adequacy Test has been carried out correctly in the financial statements.

Unearned Premium Reserve

We consider that the UPR and DAC have been determined appropriately

3.4 Other items

In my view, all other items included in the financial statements are considered non-actuarial.