Helia Insurance Pty Limited
New Zealand Branch

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Contents

Directors' report

The Directors of Helia Insurance Pty Limited (the Company) present their report together with the financial statements of Helia Insurance Pty Limited New Zealand Branch (the Branch) for the year ended 31 December 2023 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are as follows:

Current directors

Pauline Blight-Johnston
Ian MacDonald (Chairman)
Gai McGrath
Alistair Muir
Leona Murphy
Gerd Schenkel
Andrea Waters
Duncan West

Principal activities

The principal activity of the Branch during the financial year was the provision of lenders mortgage insurance (LMI). The Branch ceased to write new business from 30 September 2011, and ceased writing top up policies from 30 September 2013. The Branch continues to manage the run-off portfolio.

Review and result of operations

The Branch's profit after income tax amounted to $17,593 (2022: profit of $43,743). The Branch is in run-off and has not underwritten insurance policies since 2013. The profit was driven by a reduction in the outstanding claims reserves due to a favourable experience and interest income on cash held.

Corporate structure

Helia Insurance Pty Limited New Zealand Branch is a branch of an Australian company, Helia Insurance Pty Limited.

The parent entity of the Company is Helia Group Limited (HLI). HLI is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange (ASX).

The Branch's registered office is located at c/o Bell Gully, Vero Centre, 48 Shortland Street, Auckland.

Change in the state of affairs

There were no significant changes in the state of affairs of the Company during the year.

Events subsequent to reporting date

On 31 January 2024, the Chair Ian MacDonald, announced that he will retire from the Board at the conclusion of the AGM on 9 May 2024. The Board has elected Independent Director Leona Murphy to be Chair of the Board following the 2024 AGM.

Details of matters subsequent to the end of the financial year are set out in the events subsequent to reporting date note within the financial statements.

Branch number

1493716

Auditors

KPMG

Bankers

Westpac Banking Corporation

Solicitors

Bell Gully
PO Box 4190
Auckland

The Board of Directors present their Annual Report, including financial statements of the Branch, for the year ended 31 December 2023, and the auditor's report thereon.

The shareholder of the Company has exercised its right under Section 211(3) of the Companies Act 1993 (the Act) and unanimously agreed that this Annual Report need not comply with any of paragraphs (a) and (e) to (j) of Section 211(1) of the Act.

For and on behalf of the Board:

Ian MacDonald	Andrea Waters
Chairman	**Director**

Dated at Sydney, 27 February 2024

Financial statements

Contents

Statement of comprehensive income

For the year ended 31 December 2023

	Note	2023 NZ$	2022 Restated[1] NZ$
Insurance service expense	3.1	17,532	47,964
Insurance service result		**17,532**	**47,964**
Investment revenue/(loss)	3.2	10,201	14,599
Net finance (expense)/income from insurance contracts	3.2	(1,071)	810
Net financial result		**9,130**	**15,409**
Other operating expenses		(3,222)	(54)
Financing costs		-	(1,767)
Profit before income tax		**23,440**	**61,552**
Income tax expense	2.2(a)	(5,847)	(17,809)
Profit for the year		**17,593**	**43,743**
Total comprehensive income for the year		**17,593**	**43,743**

The statement of comprehensive income is to be read in conjunction with notes to the financial statements.

[1] See Note 1.2 (c).

Statement of financial position

As at 31 December 2023

	Note	2023 NZ$	2022 Restated[1] NZ$	1 January 2022 Restated[1] NZ$
Assets				
Cash		198,665	200,792	139,341
Accrued investment income		-	-	6,625
Investments		-	-	1,700,000
Trade and other receivables	6.2	8,113	-	-
Total assets		**206,778**	**200,792**	**1,845,966**
Liabilities				
Trade payables and other liabilities	6.3	-	20,375	78,783
Insurance contract liabilities	3.3	42,120	33,352	63,861
Total liabilities		**42,120**	**53,727**	**142,644**
Head office account		**164,658**	**147,065**	**1,703,322**
Total liabilities and head office account		**206,778**	**200,792**	**1,845,966**

The statement of financial position is to be read in conjunction with notes to the financial statements.

[1] See Note 1.2 (c).

Statement of movements in head office account

For the year ended 31 December 2023

	Total NZ$
Head office account balance at 1 January 2022, as previously reported	1,697,639
Adjustment on initial application of NZ IFRS 17, net of tax	5,683
Restated balance at 1 January 2022[1]	1,703,322
Return of capital	(1,600,000)
Profit for the year	43,743
Restated Balance at 31 December 2022[1]	147,065
Opening balance at 1 January 2023	147,065
Profit after taxation	17,593
Balance at 31 December 2023	164,658

The statement of movements in head office account is to be read in conjunction with notes to the financial statements.

[1] See Note 1.2 (c).

Statement of cash flows

For the year ended 31 December 2023

	Note	2023 NZ$	2022 NZ$
Cash flows from operating activities			
Interest and other income		10,217	16,230
Claims recoveries received		29,401	32,351
Cash payments in the course of operations		(4,942)	(8,758)
Income tax paid		(36,803)	(78,372)
Net cash used in operating activities	2.1	**(2,127)**	**(38,549)**
Cash flows from investing activities			
Proceeds from sale of investments		-	1,700,000
Net cash generated by investing activities		**-**	**1,700,000**
Cash flows from financing activities			
Return of capital		-	(1,600,000)
Net cash used in financing activities		**-**	**(1,600,000)**
Net (decrease)/increasein cash held		**(2,127)**	**61,451**
Cash at the beginning of the financial year		200,792	139,341
Cash at the end of the financial year		**198,665**	**200,792**

The statement of cash flows is to be read in conjunction with notes to the financial statements.

Notes to the financial statements

1 Basis of preparation

1.1 Reporting entity

Helia Insurance Pty Limited New Zealand Branch (the Branch) is registered to carry on insurance in New Zealand as a foreign Branch. The principal activity is the provision of lenders mortgage insurance (LMI). The Branch is a for-profit entity.

The financial statements were authorised for issue by the Board of Directors on 27 February 2024.

This financial report is the Branch's first annual financial report since adoption of NZ IFRS 17 *Insurance Contracts* and NZ IFRS 9 *Financial Instruments*. As required by NZ IFRS 17 comparative information has also been restated. Refer to note 1.2c (i) for more details.

1.2 Material accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to profit generating entities. The Branch is a reporting entity in terms of the Financial Markets Conduct Act 2013 and the financial statements have been prepared in accordance with the requirements of that Act and the Financial Reporting Act 2013.

Selected explanatory notes are included to explain events and transactions that are material to an understanding of the changes in financial position and performance of the Branch.

(b) Basis of preparation of the financial report

These financial statements are presented in New Zealand dollars.

Helia Insurance Pty Limited New Zealand Branch is a branch of Helia Insurance Pty Limited (the Company) and is a separate reporting entity in terms of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The Branch and head office are one legal entity and therefore the Branch's financial statements should be read in conjunction with the Company's financial statements. The Company has a strong financial position and will provide necessary financial support when it is required to meet any future claims obligations of the Branch and any deficit in the head office account, should it arise. Based on this the directors are satisfied that the going concern assumption is appropriate.

The statement of financial position has been prepared using the liquidity format of presentation, in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current amounts (expected to be recovered or settled within 12 months after the reporting date) and non-current amounts (expected to be recovered or settled more than 12 months after the reporting date). For those assets and liabilities that comprise both current and non-current amounts, information regarding the respective current and non-current amounts is disclosed in the relevant notes to the financial statements.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Branch operates. The financial statements are presented in New Zealand dollars, which is the Branch's functional and presentation currency.

(c) Accounting policies adopted

The accounting policies adopted in the preparation of this financial report have been applied consistently by the Branch and are the same as those applied for the previous reporting year, unless otherwise stated. The material accounting policies adopted in the preparation of this financial report are set out within the relevant notes to the financial statements.

In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments did not result in any changes to the accounting policies.

(i) New and amended standards adopted by the Branch

There are additional new accounting standards and interpretations, effective on or after 1 January 2023 (refer to the table below) which were adopted by the Branch.

	New standards, amendments and interpretations	Operative date
NZ IFRS 17	Insurance Contracts	1 January 2023
NZ IFRS 9	Financial Instruments	1 January 2023

Only the adoption of NZ IFRS 17 *Insurance Contracts*, had a material effect on the Branch's financial statements. The nature and effects of the key changes to the Branch's accounting policies resulting from its adoption of NZ IFRS 17 are summarised below:

- *Recognition, measurement and presentation of insurance contracts*

NZ IFRS 17, the new accounting standard for insurance contracts, was compiled by the New Zealand Accounting Standards Board in August 2020. The first applicable financial reporting period for the Branch is the year ended 31 December 2023, with the restated comparative period ended 31 December 2022. Refer to note 3 for accounting policy information.

- *Measurement*

NZ IFRS 17 introduces a new general measurement model for accounting of insurance contracts based on fulfilment cashflows (discounted future cash flows risk adjusted for non-financial risk) and contractual service margin (CSM).

- *Presentation and disclosures*

NZ IFRS 17 introduces substantial changes to the presentation and disclosures of the financial statements. The disclosures are more extensive, granular and analytical of movements.

- *Transition*

The Branch ceased to underwrite new insurance policies from 30 September 2011, as such the cash flows for remaining coverage at the transition date are nil. As no new claims are expected to be incurred, no more service is expected to be provided by the branch after the transition date, and the CSM at the transition date also nil.

At transition the insurance liabilities constitute the liability for incurred claims (LIC) only. The Company has taken into account all available experience up to the transition date.

1.2(c)(i) New and amended standards adopted by the Branch cont'd

The effects of adopting NZ IFRS 17 on the financial statements as at 1 January 2022 are presented below:

Balance Sheet under NZ IFRS 4[1] 1 January 2022	NZ$	Reversals NZ$	NZ IFRS 17 re-measurement NZ$	Balance Sheet under NZ IFRS 17 1 January 2022 NZ$	
Assets					**Assets**
Other assets	1,845,966	-	-	1,845,966	Other assets
Recoveries receivable[1]	1,642	(1,642)	-	-	
Total Assets	**1,847,608**	**(1,642)**	**-**	**1,845,966**	**Total Assets**
Liabilities					**Liabilities**
Other liabilities	78,783	-	-	78,783	Other liabilities
Outstanding claims[1]	66,883	(66,883)	63,861	63,861	Liability for incurred claims
Unearned premium[1]	4,303	(4,303)	-	-	Liability for remaining coverage
Total liabilities	**149,969**	**(71,186)**	**63,861**	**142,644**	**Total liabilities**
Head Office Account	**1,697,639**	**5,683**		**1,703,322**	**Head Office Account**

1. Recoveries receivable, outstanding claims and unearned premiums are derecognised and are replaced by insurance contract liabilities, measured in accordance with NZ IFRS 17 requirements and methodologies.

The Branch has also adopted NZ IFRS 9 *Financial Instruments* at the same time as NZ IFRS 17.

[1] NZ IFRS 4, *Insurance Contracts*

2 Results for the year

2.1 Net cash used in operating activities

This note reconciles the operating profit to the cash provided by operating activities per the statement of cash flows.

	2023 NZ$	2022 Restated[1] NZ$
Profit after income tax	17,593	43,743
Net cash provided by operating activities before change in assets and liabilities	**17,593**	**43,743**
Change in assets and liabilities during the financial year:		
(Increase)/decrease in receivables	(8,113)	6,625
Increase/(decrease) in insurance contracts	8,768	(30,509)
Decrease in payables and borrowings	(20,375)	(58,408)
Net cash used in operating activities	**(2,127)**	**(38,549)**

[1] See Note 1.2 (c).

2.2 Income taxes

Accounting policies

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(a) Income tax expense

	2023 NZ$	2022 Restated[1] NZ$
Income tax expense	5,847	17,809

(i) Reconciliation of income tax expense to prima facie tax payable

	2023 NZ$	2022 Restated[1] NZ$
Profit before tax	23,440	61,552
Prima facie income tax expense calculated at 28% of profit	6,563	17,235
(Decrease)/Increase in income tax expense due to:		
(Over)/Under provision in prior year	(716)	574
Income tax expense	**5,847**	**17,809**

[1] See Note 1.2 (c).

3 Insurance contracts

NZ IFRS 17 introduced a methodology that measures groups of insurance contracts based on the Branch's estimates of the present value of future cash flows that are expected to arise as the Branch fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin (CSM).

For the Branch's direct insurance business, the insurance contract is at the borrower level (as opposed to the lender policyholder) as the Branch has the ability to accept or reject policy applications.

- *Risk adjustment*

The insurance liability also includes a risk adjustment for non-financial risk under NZ IFRS 17 to reflect the compensation that the entity requires for bearing uncertainty about the amount and timing of the cash flows. The risk adjustment is determined using a confidence level approach.

- *Discounting*

The fulfilment cash flows within the insurance contract liability are discounted using discount rates that are based on market rates and illiquidity premium policies at the valuation date. The Branch recognises the insurance finance expense (effect of unwinding the discounting impact and the changes in discount rates) fully in profit or loss, as opposed to disaggregating it between profit or loss and other comprehensive income.

3.1 Insurance service expense

Accounting Policy

Insurance service expenses arising from insurance contracts are recognised in profit or loss as they are incurred.

	2023 NZ$	2022 NZ$
Incurred claims from current period	22,541	24,243
(Increase)/decrease to liabilities for incurred claims from prior periods	(837)	29,699
Insurance expenses	(4,172)	(5,978)
Insurance service expense	**17,532**	**47,964**

3.2 Net financial result

(a) Investment revenue

Accounting Policy

Interest revenue

Interest revenue is recognised as it accrues, taking into account the coupon rate on investments and interest rates on cash.

	2023 NZ$	2022 NZ$
Interest revenue	10,217	9,661
Other investment (expense)/revenue	(16)	4,938
Total investment revenue	**10,201**	**14,599**

(b) Net finance (expense)/income from insurance contracts

Accounting Policy

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance contracts arising from the effects of the time value of money, financial risk and changes in assumptions.

	2023 NZ$	2022 NZ$
Interest accreted to insurance contracts using current financial assumptions	(986)	(147)
Impact of changes in interest rates and other financial assumptions	(85)	957
Total insurance finance (expense)/income from insurance contracts	**(1,071)**	**810**

3.3 Insurance contract liabilities

	2023 NZ$	2022 NZ$
Liability for incurred claims (LIC)		
- PV future cashflows	36,183	28,519
- Risk adjustment	5,937	4,833
Total insurance contracts	**42,120**	**33,352**

3.4 Movement in insurance contract balances

The following reconciliations show how the net carrying amounts of insurance contracts changed during the period as a result of cash flows and amounts recognised in the statement of comprehensive income.

The Branch presents a table that analyses movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of comprehensive income.

A second reconciliation analyses changes in the estimates of the present value of future cash flows and the risk adjustment for non-financial risk.

(a) Analysis by incurred claims (insurance contracts)

	Note	Liability for Incurred claims 2023 NZ$	2022 NZ$
Opening balance at 1 January		**33,352**	**63,861**
Changes in the statement of comprehensive income			
Insurance service expenses	3.1		
– Incurred claims from current period		(22,541)	(24,243)
– Changes to liability for incurred claims from prior periods		837	(29,699)
– Insurance expenses		4,172	5,978
Insurance service result		**(17,532)**	**(47,964)**
Net finance expense/(income) from insurance contracts	3.2	1,071	(810)
Total changes in statement of comprehensive income		**(16,461)**	**(48,774)**
Insurance cash flows (net of GST)			
Claims recoveries received		29,401	24,243
Insurance expenses (non-acquisition)		(4,172)	(5,978)
Total insurance cash flows		**25,229**	**18,265**
Closing balance at 31 December		**42,120**	**33,352**

(b) Analysis by measurement (insurance contracts)

	Note	2023 Estimates for present value of future cash flows NZ$	Risk adjustment for non- financial risk NZ$	Total NZ$
Opening balance at 1 January 2023		28,519	4,833	33,352
Changes in the statement of comprehensive income				
Changes that relate to current services:				
– Change in risk adjustment for risk expired		-	967	967
– Experience variations		(19,336)	-	(19,336)
Changes that relate to past services:				
– Adjustments to liability for incurred claims		855	(18)	837
Insurance service result		**(18,481)**	**949**	**(17,532)**
Net finance expense from insurance contracts	3.2	916	155	1,071
Total change in statement of comprehensive income		**(17,565)**	**1,104**	**(16,461)**
Total insurance cash flows	3.4(a)	25,229	-	25,229
Closing balance at 31 December 2023		**36,183**	**5,937**	**42,120**

	Note	2022 Estimates for present value of future cash flows NZ$	Risk adjustment for non- financial risk NZ$	Total NZ$
Opening balance at 1 January 2022		54,597	9,264	63,861
Changes in the statement of comprehensive income				
Changes that relate to current services:				
– Change in risk adjustment for risk expired		-	-	-
– Experience variations		(18,265)	-	(18,265)
Changes that relate to past services:				
– Adjustments to liability for incurred claims		(25,385)	(4,314)	(29,699)
Insurance service result		**(43,650)**	**(4,314)**	**(47,964)**
Net finance income from insurance contracts	3.2	(693)	(117)	(810)
Total change in statement of comprehensive income		**(44,343)**	**(4,431)**	**(48,774)**
Total insurance cash flows	3.4(a)	18,265	-	18,265
Closing balance at 31 December 2022		**28,519**	**4,833**	**33,352**

3.5 Actuarial assumptions and methods

The Branch makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 areas where critical accounting estimates and judgements are applied are noted below.

(a) Liability for incurred claims (LIC)

A liability for incurred claims is recognised for the estimated claim cost of delinquencies at the reporting date, including the cost of delinquencies incurred but not yet reported to the Branch. The estimated liability includes expenses to be incurred in settling claims gross of expected third party recoveries and is calculated net of any recoveries from lenders, borrowers and property valuers.

The Branch takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing a liability for incurred claims, it is likely that the final outcome will prove to be different from the original liability established.

Actuarial valuation approach

The Branch internally values the liability for incurred claims at the reporting date. The valuation approach is consistent with that recommended by the Appointed Actuary.

The valuation methods used are based on the underlying attributes of the delinquency portfolio. The Group establishes provisions for LIC for the following components:

- Delinquent policies advised to the Branch by some lenders as being greater than 1 month delinquent at the valuation date;
- Incurred but not reported (IBNR), being the liability for future claims from policies which are 1 month delinquent and are not currently reported by lenders as being such.

For all components apart from IBNR the estimate is calculated as a “statistical case estimate” based on past delinquency progression to claim given the reported characteristics of the loan, security, and delinquency, including months in arrears, reported loan and arrears amount, estimated value of the property held as security and geographic area. This estimate is augmented by higher-level adjustments relating to future expected economic trends and the operational environment, which are used to adjust the statistical estimates for expected future conditions.

Liability for incurred claims not yet reported

The liability for incurred claims not yet reported is estimated by analysing the historical pattern of reported delinquencies for policies reported by lenders as being between 1 month (or equivalent) and 3 months delinquent. Analysis is conducted based on the date a policy is estimated to have first become 1 month (or equivalent) in arrears. Past history is accumulated by month of first missed payment and developed to ultimate expected reported number. Frequency and severity factors are applied to expected future reported delinquencies.

Claims handling expenses

Claims handling expenses are estimated after considering historical actual expenses and management’s projected costs of handling claims over the expected period of run-off of the LIC losses.

(b) Risk adjustment

A risk adjustment for non-financial risks is added to the present value of the fulfilment cash flows relating to the insurance services for each group of insurance contracts. The risk adjustment for insurance contracts is to cover the uncertainty relating to the timing and amount of the cashflows that arises from non-financial risk in fulfilling insurance contracts.

The Group uses confidence level techniques to estimate the underlying distribution of outcomes for the relevant cash flows and to derive a risk adjustment, which is consistent with approach used to establish APRA risk margins for our regulatory returns. The risk adjustment is estimated based on the advice of the Appointed Actuary and adopted by the Group, considering the uncertainty in the Group insurance cash flows, industry trends and the Group's risk appetite and the confidence level corresponding with that appetite.

The Appointed Actuary reviews the factors impacting the portfolio to establish a recommended risk adjustment at the confidence level required by the Group. Factors considered include:

- Variability of claims and other experience of the portfolio;
- Quality of historical data;
- Uncertainty due to future economic conditions;
- Diversification within the portfolio and between liability types; and
- Any change in uncertainty due to the external environment, e.g. future legislative changes.

The risk adjustment differs by type of cash flow but overall for LIC is 17% (2022: 17%) of net central estimate of the present value of net cash flows and is estimated to provide a confidence level of approximately 76% probability of adequacy.

(c) Discounting

As at 31 December 2023, the insurance contract liability are discounted at risk-free rates to reflect the effect of the time value of money. Given the nature of Lenders Mortgage Insurance, interest rates also impact the level of delinquencies and future claims. The Branch includes an additional liability equal to the time value of money to allow for potential future deterioration of delinquency experience due to recent (and potential future) rises in mortgage rates.

These rates include an illiquidity premium of 55 basis points (2022: 20 basis points). The weighted average term to settlement is estimated to be 24 months (2022: 25 months).

(d) Sensitivity analysis

The valuation of liabilities for incurred claims incorporates a range of interactions with economic indicators, statistical modelling and observed historical claims development, as well as future assumptions. Certain factors and assumptions are expected to impact liabilities more than others and consequently a greater degree of sensitivity to these variables is expected.

LIC is also impacted by shorter-term volatility, for example by changes in delinquency reporting and in arrears progression. These affect the carrying value of liability for prior years and for new incurred liabilities for the current year.

LIC are discounted to present values and are therefore also impacted by changes in expectations of future interest rates (i.e. by movements in Commonwealth Government bond yields and the illiquidity premium).

The valuation result is within expectations and not significant in dollar terms given this portfolio has been in run-off since 2011 and the insurance contract liability are $42,120 (2002: $33,352). The portfolio is also less sensitive to future economic conditions as the book is ageing and the level of embedded home equity in the portfolio remains strong. The main source of uncertainty is now purely the random nature of insurance.

Actuarial estimation, the economy, underwriting and claims management play a much more minor role in future payments being different to expected. We do not consider the potential sensitivity of the Branch's book to be material to the overall business, with any volatility in claims experience being captured in the risk adjustment.

4 Risk Management

This note presents information about the Branch's objectives, policies and processes for measuring and managing risk.

4.1 Risk management framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established a Risk Committee and an Audit Committee. The Risk Committee is responsible for developing and monitoring the Company's risk management policies, and reports regularly to the Board on its activities. Furthermore, the Risk Committee assists the Board in providing an objective non-executive review and oversight of the implementation and on-going operation of the Company's Risk Management Framework. The Risk Committee works closely with other Board Committees that have oversight of some material risks to ensure that all risks are identified and adequately managed.

The Audit Committee assists the Board in providing an objective non-executive review of the effectiveness of the Risk Management Framework, in relation to the management of material financial risks.

The Company's risk management policies are established to identify and assess the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Company's activities. The Company, through its management policies and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Risk is managed primarily through appropriate pricing, product design, risk selection, investment strategies, financial strength ratings and reinsurance. It is vital that the Company closely monitors and responds to any changes in the general economic and commercial environment in which it operates.

4.2 Financial risk management

The Branch has exposure to credit and liquidity risks relating to its cash holding.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Branch's credit risk arises predominantly from investments and the amounts are as indicated by the carrying amounts of the financial assets.

The Branch does not expect any investment counterparties to fail to meet their obligations given their strong credit ratings.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company has a strong financial position and will provide necessary financial support when it is required to meet any future claims obligations of the Branch and any deficit in the head office account.

Management of liquidity risk includes asset and liability management strategies. The assets held to back insurance liabilities are cash. The assets are managed so as to appropriately match the coupon and maturity profile to the expected pattern of claims payments.

There were no financial liabilities payable at 31 December 2023 (2022: $20,375).

5 Capital management and financing

5.1 Capital management

Under the New Zealand Insurance (Prudential Supervision) Act 2010 (the Supervision Act), insofar as it relates to the Company, insurance entities operating in New Zealand are required to meet minimum solvency standards. The Branch has a section 59 exemption which, subject to certain requirements, means the Company is deemed to comply with the minimum solvency standards set out in the Supervision Act, provided it meets the corresponding APRA solvency requirements in Australia. The Company is in a strong financial position and will provide necessary financial support to the Branch when required to maintain any minimum solvency standards, to meet any future claims obligations of the Branch and any deficit in its head office accounts.

Under NZ legislation, the Company is required to maintain a solvency margin which is pursuant to an exemption granted by the Reserve Bank of New Zealand (RBNZ) and is calculated in accordance with Australian solvency requirements.

The solvency information for the Company as at 31 December 2023 using RBNZ published exchange rate 1 AUD is 1.0777 NZD (2022: 1 AUD - 1.0623 NZD) are detailed below:

	2023 NZ$'000	2022[1] NZ$'000
Actual solvency capital	1,842,314	1,907,312
Minimum solvency capital	1,024,887	900,670
Solvency margin	817,428	1,006,642
Solvency ratio	180%	212%

The Australian Prudential Regulation Authority's (APRA's) Prudential Standard GPS 110 Capital Adequacy requires additional disclosure in the annual financial statements to improve policyholder and market understanding of the capital adequacy of the Company.

[1] The 2022 numbers are on NZ IFRS 4 basis.

5.1 Capital management cont'd.

The calculation of the Prescribed Capital Amount (PCA) is provided in the table below in Australian dollars:

	2023 A$'000	2022[1] A$'000
Net assets	1,076,643	1,326,943
Regulatory adjustments	(29,756)	(20,130)
Net surplus relating to insurance liabilities	472,601	298,642
Common equity Tier 1 capital	**1,519,487**	**1,605,455**
Tier 2 Capital	190,000	190,000
Regulatory capital base	**1,709,489**	**1,795,455**
Probable maximum loss	1,201,887	1,480,236
Net premium liability deduction	(269,439)	(312,527)
Capital credit for reinsurance	(330,666)	(729,629)
Insurance concentration risk charge	601,782	438,080
Asset risk charge	203,855	229,456
Insurance risk charge	202,232	236,713
Operational risk charge	28,012	33,705
Aggregation benefit	(84,886)	(90,105)
Total PCA	950,995	847,849
PCA coverage	1.80x	2.12x

Insurer Financial Strength Ratings

In May 2023, Fitch affirmed the insurer financial strength (IFS) rating of Helia Insurance Pty Limited as 'A' (Strong) with the outlook 'stable'. In June 2023, Standard & Poor's affirmed the IFS rating as 'A', with the outlook 'stable'. Both agencies acknowledged the capital strength and strong competitive position of the Company.

5.2 Capital commitments and contingencies

Capital commitments

There were no capital commitments as at 31 December 2023 (31 December 2022: nil).

Contingencies

There were no contingent liabilities as at 31 December 2023 (31 December 2022: nil).

[1] The 2022 numbers are on NZ IFRS 4 basis.

6 Operating assets and liabilities

6.1 Cash and cash equivalents

Accounting policies

Cash include cash on hand and deposits held at call with financial institutions. Cash are measured at fair value, being the principal amount.

6.2 Trade and other receivables

Accounting policies

The collectability of receivables is assessed at balance date and an impairment loss is made for any doubtful accounts. The amounts are discounted where the time value of money effect is material. All receivables set out in the table below are due within the current year.

	2023 NZ$	2022 NZ$
Tax receivable	8,113	-

Carrying amounts of receivables reasonably approximate fair value at the reporting date. None of the receivables are impaired or past due at 31 December 2023 and 31 December 2022.

6.3 Trade payables and other liabilities

Accounting policies

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30-60 days. The carrying amount of accounts payable approximates fair value.

All payables set out in the table below are due within the current year.

	2023 NZ$	2022 NZ$
Tax payable	-	20,375

7 Other disclosures

7.1 Remuneration of auditors

	2023 NZ$	2022 NZ$
Audit of financial statements	27,388	11,171

Fees for the branch are paid by the head office of the Company.

7.2 Related party disclosures

Transactions with related parties are undertaken on normal commercial terms and conditions.

7.3 Events subsequent to reporting date

There are no events that have arisen since 31 December 2023 to the date of this report that, in the opinion of the Directors, have significantly affected or may significantly affect the operations of the Branch or the state of affairs of the Company in future years.

Directors' declaration

In the opinion of the Directors of Helia Insurance Pty Limited New Zealand Branch (the Branch), the financial statements and notes set out on pages 5 to 25:

(a) comply with New Zealand Generally Accepted Accounting practice and give a true and fair view of the financial position of the Branch as at 31 December 2023 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date; and
(b) have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which, enable, with reasonable accuracy, the determination of the financial position of the Branch and facilitate compliance of the financial statements with the Financial Markets Conduct Act 213 and the Financial Reporting (Amendments to Other Enactments) Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Branch, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

Signed in accordance with a resolution of the Directors

Ian MacDonald

Chairman

Dated: 27 February 2024

Andrea Waters

Director

Independent Auditor's Report

To the shareholders of Helia Insurance Pty Limited - New Zealand Branch

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Helia Insurance Pty Limited - New Zealand Branch (the 'branch') on pages 5 to 25 present fairly, in all material respects:

i. the branch's financial position as at 31 December 2023 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income, statement of movements in head office account and statement of cash flows for the year then ended; and
- notes, including material accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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 branch in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the branch.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Valuation of Liability for Incurred Claims - NZ $42K **Refer to accounting policy in Note 3.1 Insurance service income, Note 3.3 Insurance contracts, Note 3.5 Actuarial assumptions and methods**	
The valuation of the Liability for Incurred Claims is a key audit matter as it is highly judgmental and requires assumptions to be made with inherent estimation uncertainty. These assumptions can have significant impacts on the valuation. This complexity requires us to exercise judgement when evaluating the methodology and assumptions adopted by the Branch. The Branch's insurance policies are similar in nature. As a result, our audit focused on the Branch's consistent identification and application of common characteristics to segment the stages of claim emergence when applying frequency and severity (size) factors to determine the Liability for Incurred Claims. The Liability for Incurred Claims reflects the Branch' internal actuarial experts' assessment of future expected outcomes. The assumptions adopted have a significant impact on the financial performance of the Branch, and therefore, are a focus of our audit attention. As a result, we involved senior audit team members, including specialists, who collectively understand the valuation methodology, the Branch's business, its industry and the economic and regulatory environment it operates in. NZ IFRS 17 *Insurance Contracts* applied from 1 January 2023, introducing new accounting considerations for the Branch.	We tested the key controls designed and operated by the Branch over the valuation of the Liability for Incurred Claims. Along with our IT specialists, we assessed the key controls for significant data inputs used by the Branch to determine the Liability for Incurred Claims. Our assessment included testing specific reconciliation controls and interfaces from key IT systems that provide data used in the actuarial valuation processes underlying the Liability for Incurred Claims. We focused on the assumptions and valuation methodology used by the Branch in estimating the Liability for Incurred Claims. In so doing we challenged the methodology and the assumptions used in the valuation, including the Branch's approach to segmenting the portfolio using common characteristics, against the criteria of the accounting standards. We were assisted by our actuarial specialists in this and in our consideration of the work and findings of the Branch's internal actuarial experts, including their competency, objectivity, and scope of work. We considered the Branch's valuation methodology and assumptions for consistency between reporting periods, as well as for indicators of possible bias. We considered the Branch's compliance with NZ IFRS 17 *Insurance Contracts* in respect of the Liability for Incurred Claims and related disclosures.

Other information

The Directors, on behalf of the branch, are responsible for the other information included in the entity's Annual Financial Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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 materially misstated. If, based on the work we have performed, 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.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the branch, are responsible for:

— the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;

— implementing necessary internal control to enable the preparation of a set of financial statements that is free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

- 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 independent 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

This description forms part of our independent auditor's report.

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

For and on behalf of

KPMG
KPMG
Sydney

27 February 2024