MEDICAL LIFE ASSURANCE SOCIETY LIMITED

10061958514

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

	Note	2013 $	2012 $
OPERATING REVENUE			
Premiums Received		14,395,703	13,168,528
Reinsurance Premiums		(3,771,248)	(3,467,993)
Net Premium Revenue		10,624,455	9,700,535
PAYMENTS UNDER POLICIES			
Claims		4,090,107	3,134,845
Reinsurance Recoveries		(2,307,474)	(2,255,453)
		1,782,633	879,392
Surrenders		28,350	107,402
Maturities		227,166	-
Annuities		16,429	15,646
Total Payments on Policies		2,054,578	1,002,440
Decrease in Policy Liabilities	9	797,346	1,731,663
OPERATING EXPENSES			
Administration Expenses		870,958	755,353
Administration Fees Paid to Parent Company	5	4,366,805	4,545,643
Auditor Remuneration			
- Auditing / Reviewing Financial Statements	5	25,300	26,764
- Prudential Regulation Review		16,330	-
- Prudential Regulation Review (2012)		17,250	920
Investment Management Fees		58,461	34,033
Total Operating Expenses		5,355,104	5,362,713
INVESTMENT INCOME / (EXPENSE)			
Interest Income on Intercompany Lending	5	1,520	1,365
Short Term Deposits		38,904	46,054
Domestic and International Fixed Interest		1,443,122	857,531
Australasian and International Equities		1,785,863	(981,936)
Sundry Income		-	10
Net Investment Income / (Losses)	15	3,269,409	(76,976)
NET SURPLUS BEFORE TAXATION		7,281,528	4,990,069
Taxation Credit	11	(278,169)	(352,697)
NET SURPLUS AFTER TAXATION		7,559,697	5,342,766
Other Comprehensive Income Net of Taxation		-	-
TOTAL COMPREHENSIVE INCOME		7,559,697	5,342,766

NPC# 14

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The accompanying notes form part of and should be read in conjunction with these financial statements.

MEDICAL LIFE ASSURANCE SOCIETY LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

	Note	2013 $ Share Capital	2013 $ Retained Earnings	2013 $ Total
OPENING BALANCE 1 APRIL 2012	19	100,000	28,053,107	28,153,107
Current Year Surplus		-	7,559,697	7,559,697
Other Comprehensive Income		-	-	-
Total Comprehensive Income		-	7,559,697	7,559,697
CLOSING BALANCE 31 MARCH 2013		100,000	35,612,804	35,712,804

	Note	2012 $ Share Capital	2012 $ Retained Earnings	2012 $ Total
OPENING BALANCE 1 APRIL 2011	19	100,000	22,710,341	22,810,341
Current Year Surplus		-	5,342,766	5,342,766
Other Comprehensive Income		-	-	-
Total Comprehensive Income		-	5,342,766	5,342,766
CLOSING BALANCE 31 MARCH 2012		100,000	28,053,107	28,153,107

The accompanying notes form part of and should be read in conjunction with these financial statements.

MEDICAL LIFE ASSURANCE SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

	Note	2013 $	2012 $
FUNDS EMPLOYED			
EQUITY			
Ordinary shares	19	100,000	100,000
Retained Earnings		35,612,804	28,053,107
Total Equity		35,712,804	28,153,107
LIABILITIES			
Payables	7	152,971	130,299
Advance from Parent Company	5	26,779	-
Claims Outstanding		4,504,503	2,577,414
Policy Liabilities	9	1,525,195	2,322,541
Deferred Tax	11	410,992	177,832
Total Liabilities		6,620,440	5,208,086
TOTAL FUNDS EMPLOYED		42,333,244	33,361,193
ASSETS			
Cash and Cash Equivalents	12	660,000	1,120,000
Receivables	13	3,594,720	2,158,214
Advance to Parent Company	5	-	120,269
Premiums Outstanding	14	4,680,293	4,293,465
Investments	15	33,398,231	25,669,245
TOTAL ASSETS		42,333,244	33,361,193

Approved for issue for and on behalf of the Board of Medical Life Assurance Society Limited.

Director

Director

Wellington, 26 June 2013

The accompanying notes form part of and should be read in conjunction with these financial statements.

MEDICAL LIFE ASSURANCE SOCIETY LIMITED

STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	Note	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Policyholders		14,008,875	12,586,577
Payments to Suppliers		(4,736,875)	(4,222,856)
Reinsurance Recoveries Received		868,480	2,308,502
Payments to Policyholders		(2,434,963)	(3,420,361)
Interest on Advances from Parent Company		1,520	1,365
Interest Income from Cash Deposits		41,392	41,524
Administration Fees Paid to Parent Company		(4,366,805)	(4,545,643)
Taxation Refund		511,329	425,521
Net Cash Flows from Operating Activities	17	3,892,953	3,174,629
CASH FLOWS FOR INVESTING ACTIVITIES			
Contributions to Investment Funds		(4,500,001)	(3,500,000)
Withdrawals from Investment Funds		-	-
Net Cash Flows for Investing Activities		(4,500,001)	(3,500,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances to Parent Company		(7,055,255)	(4,193,214)
Advances from Parent Company		7,202,303	4,378,585
Net Cash Flows from Financing Activities		147,048	185,371
NET DECREASE IN CASH HELD		(460,000)	(140,000)
Opening Cash Balance brought forward		1,120,000	1,260,000
CASH AND CASH EQUIVALENTS CARRIED FORWARD		660,000	1,120,000
CASH AND CASH EQUIVALENTS COMPRISE			
Cash On Call	12	660,000	1,120,000
		660,000	1,120,000

The accompanying notes form part of and should be read in conjunction with these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 March 2013

1. CORPORATE INFORMATION

REGISTERED OFFICE
19 - 21 Broderick Road
Johnsonville
Wellington

The ultimate parent of Medical Life Assurance Society Limited (the "Company") is Medical Assurance Society New Zealand Limited, which owns 100% of the ordinary shares.

The Company is incorporated and domiciled in New Zealand and is an issuer under the Financial Reporting Act 1993.

Standard & Poor's assigned Medical Life Assurance Society Limited an A-/Stable insurer financial strength rating on the 15th of October 2012.

2 ACCOUNTING POLICIES

(a) Principal Activity

Medical Life Assurance Society Limited is a wholly owned subsidiary of Medical Assurance Society New Zealand Limited ("MAS"). It provides life assurance and other associated investment products to Members of MAS.

Head Office is situated in Johnsonville, Wellington and there are seven branch sites throughout New Zealand in; Auckland (two), Hamilton, Palmerston North, Wellington, Christchurch and Dunedin.

(b) Basis of Preparation

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have also been prepared on a historical cost basis with any exceptions noted in the accounting policies below.

The financial statements are presented in New Zealand dollars.

(c) Statement of Compliance

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-orientated entities. These financial statements also comply with International Financial Reporting Standards ("IFRS").

The Company has adopted the improvements to NZ IFRS arising from the Annual Improvements Project. These were issued primarily with a view to removing inconsistencies and clarifying wording.

The adoption of these improvements had no impact on the financial performance or position of the Company. They did however give rise to additional disclosures.

Applicable standards or interpretations that have not been adopted:
NZ IFRS 7 *Financial Instruments: Disclosures - Transition Disclosures.* The amendments to the standard introduce additional disclosures on transition from classification and measurement requirements of NZ IAS 39 Financial Instruments: Recognition and Measurement to NZ IFRS 9. The standard is effective for reporting periods commencing after 1 January 2013 but may be early adopted.

NZ IFRS 9 *Financial Instruments.* The standard uses a single approach to classify and measure financial assets to determine whether an asset should be measured at amortised cost or fair value. The standard is intended to reduce complexity and increase investor understanding of the accounting of financial assets. The standard is effective for reporting periods commencing after 1 January 2015 but may be early adopted.

NZ IFRS 13 *Fair Value Measurement. The standard* establishes a single source of guidance under NZ IFRS for determining the fair value of assets and liabilities. It does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under NZ IFRS when fair value is required or permitted by NZ IFRS. This guidance may result in different fair values being determined for the relevant assets.
NZ IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

2. **ACCOUNTING POLICIES continued ...**

(d) Premium Revenue and Reinsurance Premiums

There is no specific deposit components in the premiums payable and hence the entire premium amount is treated as revenue.

Premium revenue is recognised in the Statement of Comprehensive Income when it has been earned. That is, from the date of attachment of the risk, over the period of the policy (which is generally one year).

Premiums ceded to reinsurers under reinsurance contracts are recorded as an expense and are recognised over the period of indemnity of the contract.

(e) Investments

Investment funds, which are managed by JBWere and Bancorp Treasury Services Limited are initially recorded at fair value. They are classified as financial assets at fair value through profit or loss ("FVTPL") and any movements in fair value are taken immediately to the Statement of Comprehensive Income.

The assets are valued at fair value each reporting date based on the current bid price where one is available. In the absence of a bid price, valuation is based on recent arms length transactions.

The Company's policy is to manage investments to give the best possible yield whilst taking a prudent approach to risk.

Interest and dividend income, fund distributions and fair value movements are recorded in the Investment Income section of the Statement of Comprehensive Income and are split by asset class.

(f) Payments under Policies and Claims Outstanding

Claims

Claims are recognised as an expense as soon as the liability to a policyholder under a life insurance risk contract has been established.

Surrenders

Surrenders occur where a policyholder with a participating policy elects to withdraw from any future contractual position. The policy gets cancelled, and a surrender value paid to the policyholder and recognised as an expense. Policy Liabilities are reduced accordingly.

Maturities

Where a participating policy reaches its maturity date, the value of that policy is paid out and recognised as an expense. Policy Liabilities are reduced accordingly.

The liability for any outstanding claims is carried in the Statement of Financial Position. This liability relates solely to claims made and under a risk policy where liability has been accepted, but for procedural reasons the benefit has not been able to have been paid at balance date.

(g) Payables

Payables are recognised when the entity becomes obliged to make future payments resulting from the purchases of goods and services.

Payables are carried at amortised cost. They represent liabilities for goods and services provided to the entity prior to the end of the financial year but which are unpaid at reporting date.

(h) Policy Liabilities

Life insurance policy liabilities are calculated using the Margin on Services ("MoS") methodology in accordance with the New Zealand Society of Actuaries' Professional Standard No 3 - Determination of Life Insurance Policy Liabilities issued in March 1999 (amended 21 February 2001).

(i) Income and Other Taxes, and Deferred Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

· when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

2. ACCOUNTING POLICIES continued...

(i) Income and Other Taxes, and Deferred Tax continued...

· when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:
· when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
· when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:
· when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
· receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of Receivables or Payables in the Statement of Financial Position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, Inland Revenue.

(j) Assets Backing Insurance Liabilities

All investment assets of the Company are assets backing the policy liabilities of the life insurance business including life insurance contract liabilities.

(k) Cash and Cash Equivalents

Cash and cash equivalents include liquid assets and amounts due from other financial institutions, with an original term to maturity of less than three months.

(l) Receivables

Receivables comprises various non-premium receivables which generally have 30-90 day terms. They are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method, less any allowance for impairment.

(m) Premiums Outstanding

A significant number of policyholders elect to spread premium payments over the term of the cover. Accordingly, at any one time there is a large balance of premiums which are outstanding but not overdue. They are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method, less any allowance for impairment.

All outstandings are constantly reviewed for collectability and immediately written off where deemed to be uncollectible.

2. **ACCOUNTING POLICIES continued...**

(n) Statement of Cash Flows

The Statement of Cash Flows has been prepared using the direct approach modified by the netting of certain items as discussed below.

Netting of cash flows. Certain cash flows have been netted-off in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on a continual basis.

(o) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency with the current year.

(p) Changes in Accounting Policies

There have been no changes in accounting policies during the current reporting period other than those new standards adopted, as disclosed in Note 2(c).

3. **SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

These financial statements are prepared in accordance with NZ IFRS and other authoritative accounting pronouncements. In applying the entity's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors. All judgements, estimates and assumptions are based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions.

Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below -

Policy Liabilities.

Policy liabilities for life insurance contracts are calculated using statistical or mathematical methods. They are made by a suitably qualified person, and are based on recognised actuarial methods, with due regard to relevant actuarial standards.

The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written.

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

- the cost of providing benefits and administering these insurance contracts
- mortality and morbidity experience on life insurance products, including enhancements to policyholder benefits
- discontinuance experience
- the amounts credited to policyholders' accounts compared to the returns on invested assets through asset and liability management and tactical asset allocation.

In addition, factors such as competition, interest rates, taxes and market and general economic conditions affect the level of these liabilities. Details of specific actuarial policies and methods adopted are contained in Note 8.

4. **DIRECTORS' FEES**

No Directors' fees are provided for or are payable.

5. **RELATED PARTY TRANSACTIONS**

(a) Details of material related party transactions are as disclosed in the Statement of Comprehensive Income and the Statement of Financial Position.

(b) During the year, the related party transactions were with the parent company (MAS) and took the form of Advances, Administration Fees, Interest and Dividends. Interest on advances is charged at the 90 day bank bill rate plus 1% up to a balance of $5,000,000. None of the amounts owing between the Company and the Group have been written off or forgiven during the year. The Administration Fees relate to management costs incurred on behalf of the Company by the Group.

(c) The audit fee disclosed in the Statement of Comprehensive Income is paid by the parent company.

(d) No staff are directly employed by the Company. All staff including key management personnel are employees of the parent company, and the amounts detailed below have been paid by the parent company. Key management personnel is defined as directors and members of the Executive Management Team.

	2013	2012
	$	$
Salaries and other short-term employee benefits	1,940,123	1,681,917
MAS directors fees	563,875	515,000
	2,503,998	2,196,917

(e) All transactions with Members and the key management personnel of the parent, are at market rates.

6. **VOTING RIGHTS**

All shares carry the same voting rights, and rights to share in any surplus upon winding up.

7. PAYABLES

	2013	2012
	$	$
Other Payables	152,971	130,299
	152,971	130,299

All payables are due within twelve months of balance date. The carrying amounts reasonably approximate fair value.

8. ACTUARIAL POLICIES AND METHODS

The effective date of the actuarial report on the policy liabilities and prudential reserves is 31 March 2013.

The actuarial report was prepared by Peter Davies, FIA, a Fellow of the New Zealand Society of Actuaries ("NZSA"). The actuary is satisfied as to the accuracy of the data upon which the calculations of policy liabilities have been made.

The amount of policy liabilities has been determined in accordance with the methods and assumptions disclosed in these financial statements and with the standards established by the NZSA.

Disclosure of Assumptions
Policy liabilities have been determined in accordance with Professional Standard No. 3 - Determination of Life Insurance Policy Liabilities issued by the NZSA.

The profit carriers used for the major product groups in order to achieve the systematic release of planned margins are:

Major Product Group	Profit Carrier
Risk insurances including: Term Life Dread Disease Total Permanent Disablement	Premiums
Traditional participating business	Bonuses

Discount Rates
The discount rate assumed equals the risk-free rate of return on 10-year NZ Government Stock as at the valuation date, of 3.51% (2012 4.03%), net of tax at 28.00% (2012 28.00%), giving a net discount rate of 2.53% per annum (2012 2.92%).

Inflation Rates
Inflation impacts on the valuation in broadly two ways. Some contracts provide for the increase of future benefits in line with the Consumer Price Index ("CPI"). The CPI is assumed to increase at 2.50% per annum (2012 2.50%). Expenses are assumed to be linked to movements in salaries and wages which have historically moved faster than the CPI. The assumed rate of increase is 3.50% per annum (2011 3.50%).

Element Impacted	Assumed Rate
Benefit indexation	2.50%
Expenses	3.50%

It is further assumed that benefit indexation will be utilised by up to 90.00% of indexed assurances (2012 90.00%) which is in line with the Company's recent experience.

It has also been assumed that the sums insured of all Yearly Renewable Term, Total Permanent Disablement and Trauma policies will increase by 2.00% per year (2012 2.00%) resulting from clients requesting increases in their level of cover.

Commissions
As the Company does not remunerate by way of commission, no allowance is required.

Future Expenses
Maintenance expenses. The standard maintenance expense allowance for risk policies is $343 (2012 $331) gross per policy. Certain policy groups have non-standard allowances. These expenses are assumed to be increased in line with the indexation assumption above.

Acquisition expenses. The standard acquisition expense allowance for policies written is $1,502 (2012 $1,689). The unit expenses are based upon a broad analysis of the Company's actual expenses for the year. Acquisition costs per policy, in general, equal five times the renewal costs of a risk policy. Renewal costs of permanent assurances equal 2.2 times those for risk policies. This is approximately the same relativity as was used in the previous valuation.

Investment expenses. Investment expenses equalled 0.20% of funds under management (2012 0.20%).

8. ACTUARIAL POLICIES AND METHODS continued...

The breakdown of actual expenses is as follows:	2013 $	2012 $
Maintenance expenses	3,441,594	3,759,583
Acquisition expenses	1,855,049	1,569,097
Investment expenses	58,461	34,033
	5,355,104	5,362,713

Taxation

Future rates of taxation have been assumed to continue at the current level of company tax in New Zealand of 28.00% (2012 28.00%).

Mortality and Morbidity

The basic rates of mortality assumed were:

Males	90% of IA95-97M (2012 90% of IA95-97M)
Females	90% of IA95-97F (2012 90% of IA95-97F)

Modifications have been made from these base tables to reflect smoker / non-smoker habits and duration in force (2012 same modifications as made in 2013).

The experience for dread disease and total and permanent disability contracts is assumed to equal 85.00% of the reinsurance risk premium rates, net of GST (2012 85.00%).

Discontinuances

Risk insurances including: Term Life Dread Disease Total Permanent Disablement	4.00% per annum (2012 4.00%) until age 65 when all policies are assumed to cease
Traditional participating business	5.00% per annum (2012 5.00%)

Future participating business

The Company's philosophy is to set bonus rates such that over longer periods, the returns to participating policyholders will be commensurate with the investment returns on the assets held. Distributions are split between policyholders and shareholders with shareholders assumed to be entitled to 25% of the distribution to policyholders. Assumed rates of future bonus have been set so that the present value of the policy liabilities equals the present value of the assets supporting the business. Allowance is made for the shareholder's right to participate in the distributions.

Assumed future bonus rates for participating policies were:

Bonus rate on sum assured	$0.00 per mille (2012 $0.60 per mille)
Bonus rate on existing bonuses	$0.00 per mille (2012 $1.00 per mille)

The reduction in the level of supportable bonuses arises from the reduction in interest rates in New Zealand over the past year.

9. POLICY LIABILITIES

	2013 $	2012 $
Gross future claims	154,300,617	139,954,628
Future reinsurance premiums	107,978,552	97,938,544
Future reinsurance recoveries	(99,840,364)	(88,451,063)
Future policy bonuses	11,822	121,448
Future expenses	61,462,750	56,145,599
Future profit margins	91,290,632	87,002,139
Balance of future premiums	(313,854,214)	(290,466,754)
Policy Liabilities before bonus	1,349,795	2,244,541
Bonus declared at year end	175,400	78,000
Total Policy Liabilities at period end	1,525,195	2,322,541
Total Policy Liabilities at previous period end	2,322,541	4,054,204
Decrease in Policy Liabilities for the period	(797,346)	(1,731,663)
Decrease in Policy Liabilities per Statement of Comprehensive Income	(797,346)	(1,731,663)

10. NET SURPLUS TRANSFERRED TO EQUITY

The Net Surplus is reconciled, using Margin on Services methodology, as follows:

	2013 $	2012 $
Planned margins of revenues over expenses	3,902,657	3,558,080
Difference between actual and assumed experience	1,389,584	780,846
Change in discount rate	343,083	1,045,962
Investment earnings on assets in excess of policy liabilities	1,924,373	(42,122)
Available for Shareholders	7,559,697	5,342,766

11. TAXATION

	2013 $	2012 $
Net Surplus before Taxation	7,281,528	4,990,069
Taxation at 28%	2,038,828	1,397,219
Tax effect of Non Assessable Items	(2,256,514)	(1,752,843)
Prior period adjustment	(4,666)	19,819
Imputation Credits	(55,817)	(16,892)
Taxation Credit for the Year	(278,169)	(352,697)
Taxation Credit for the Year comprises:		
Current Taxation - Shareholder Base	(569,522)	(369,543)
Current Taxation - Policyholder Base	58,193	(55,978)
Deferred Tax	233,160	72,824
Taxation Credit per Statement of Comprehensive Income	(278,169)	(352,697)

Tax legislation affecting life insurance business was passed in October 2009. This has resulted in the Company paying increased amounts of tax for new life business issued from 1 July 2010 and will result in increased tax on existing term life business once the grandparenting provisions cease in 2015.

Deferred Tax

31 March 2013	Opening Balance $	Prior Period Adjustment $	Statement of Comprehensive Income $	Total $
Deferred Tax Liabilities				
Insurance Reserves and Provisions	(177,832)	(116,411)	(116,749)	(410,992)
	(177,832)	(116,411)	(116,749)	(410,992)
Deferred Tax Assets				
Other	-	-	-	-
	-	-	-	-
Net Deferred Tax Liability	(177,832)	(116,411)	(116,749)	(410,992)

11. TAXATION continued...

31 March 2012	Opening Balance	Prior Period Adjustment	Statement of Comprehensive Income	Total
	$	$	$	$
Deferred Tax Liabilities				
Insurance Reserves and Provisions	(105,008)	(30,122)	(42,702)	(177,832)
	(105,008)	(30,122)	(42,702)	(177,832)
Deferred Tax Assets				
Other	-	-	-	-
	-	-	-	-
Net Deferred Tax Liability	(105,008)	(30,122)	(42,702)	(177,832)

Imputation Credit Account ("ICA")	2013	2012
	$	$
Opening Balance	2,271,174	2,271,174
Movement during the period	-	-
Closing Balance	2,271,174	2,271,174

As a member of the Medical Assurance Society Consolidated Group for tax purposes, all credits and debits in the current year are not recorded in the above ICA, but rather in the ICA of Medical Assurance Society Limited as the nominated member of the Medical Assurance Society Consolidated Group.

12. CASH AND CASH EQUIVALENTS

	2013	2012
	$	$
Cash On Call	660,000	1,120,000
	660,000	1,120,000

Cash and Cash Equivalents represents cash held on call with registered New Zealand banks.

13. RECEIVABLES

	2013	2012
	$	$
Recoveries due from Reinsurers	3,592,678	2,153,684
Interest Due	2,042	4,530
	3,594,720	2,158,214

14. PREMIUMS OUTSTANDING

	2013	2012
	$	$
Premiums Owing by Policyholders	4,680,293	4,293,465
	4,680,293	4,293,465

A significant number of policyholders elect to pay premiums in instalments spread evenly over the term of the cover. Accordingly, at any one time, including balance date, there will be large outstandings relative to premium which has been billed but not collected.

15. INVESTMENTS

	2013	2012
	$	$
Deposits and Short Term Securities	3,920,093	2,321,494
Domestic Fixed Interest	9,142,087	9,495,371
International Fixed Interest (Unit Trust)	4,476,167	3,013,958
Australasian Equities (Managed Fund)	4,569,266	3,063,332
International Equities (Exchange Traded Funds)	11,290,618	7,775,090
	33,398,231	25,669,245
Realised Investment Income	1,072,075	954,411
Unrealised Investment Income	2,197,334	(1,031,387)
Total Investment Income / (Loss)	3,269,409	(76,976)

The Company's investment securities are all financial assets classified as FVTPL. Fair value adjustments and realised gains or losses are recognised in the Statement of Comprehensive Income.

During the year, all funds have been managed by JBWere (NZ) Limited and Bancorp Treasury Services Limited. The majority of the total sum invested, is invested into securities held in the name of the Company, via a custodian. The remaining funds are invested into unitised or pooled vehicles.

16. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

The fair values are based on relevant information available as at balance date. While judgement is used in obtaining the fair value of financial instruments, there are inherent weaknesses in any estimation technique. Many of the estimates involve uncertainties and matters of significant judgement, and changes in underlying assumptions could significantly affect these estimates.

The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following -

Cash and Cash Equivalents
For cash and short term funds, balances with other financial institutions with maturities of less than three months and other types of short term financial assets, the carrying value of these financial instruments are considered to approximate their fair values as they are short term in nature or are receivable on demand.

Other Financial Assets
For all other financial assets, the carrying value is considered to be a reasonable estimate of fair value.

Payables and Other Financial Liabilities
The carrying value of Payables, and Advance from Parent Company approximate their fair values as they are short term in nature or payable on demand. Neither Deferred Tax nor insurance provisions are considered to be financial liabilities.

The following table summarises the carrying amounts and fair values of each class of financial asset and financial liability:

	2013 Carrying Amount	2013 Fair Value	2012 Carrying Amount	2012 Fair Value
Financial Assets	$	$	$	$
Cash and Cash Equivalents	660,000	660,000	1,120,000	1,120,000
Receivables	3,594,720	3,594,720	2,158,214	2,158,214
Advance to Parent Company	-	-	120,269	120,269
Premiums Outstanding	4,680,293	4,680,293	4,293,465	4,293,465
Investments	33,398,231	33,398,231	25,669,245	25,669,245
	42,333,244	42,333,244	33,361,193	33,361,193

16. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES continued...

Financial Liabilities	2013 Carrying Amount $	2013 Fair Value $	2012 Carrying Amount $	2012 Fair Value $
Payables	152,971	152,971	130,299	130,299
Advance from Parent Company	26,779	26,779	-	-
	179,750	179,750	130,299	130,299

Fair Value Hierarchy
The following table shows an analysis of financial instruments recorded at fair value in the Statement of Financial Position by level of the fair value hierarchy. The only assets and liabilities that the Company recognises on a fair value basis are its investments (refer to Classification of Financial Instruments on page 18 for details of the classification categories):

	Level 1 $	Level 2 $	Level 3 $	Total $
31 March 2013				
Financial Assets				
Deposits and Short Term Securities	-	3,920,093	-	3,920,093
Domestic Fixed Interest	-	9,142,087	-	9,142,087
International Fixed Interest (Unit Trust)	-	4,476,167	-	4,476,167
Australasian Equities (Managed Fund)	-	4,569,266	-	4,569,266
International Equities (Exchange Traded Funds)	11,290,618	-	-	11,290,618
	11,290,618	22,107,613	-	33,398,231
31 March 2012				
Financial Assets				
Deposits and Short Term Securities	-	2,321,494	-	2,321,494
Domestic Fixed Interest	-	9,495,371	-	9,495,371
International Fixed Interest (Unit Trust)	-	3,013,958	-	3,013,958
Australasian Equities (Managed Fund)	-	3,063,332	-	3,063,332
International Equities (Exchange Traded Funds)	7,775,090	-	-	7,775,090
	7,775,090	17,894,155	-	25,669,245

A level 1 financial asset or liability comprises those assets and liabilities that are valued by reference to published quotes in an active market and the price reflects actual and regularly occurring market transactions on an arm's length basis.

A level 2 financial asset or liability is measured using industry standard valuation techniques and are based on market observable inputs but where the prices have not been determined in an active market.

A level 3 financial asset or liability value is determined in part, or in whole, using valuation techniques based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data.

There have been no transfers between Level 1 and Level 2 during the year (2012 nil).

17. RECONCILIATION OF CASH FLOWS

	2013 $	2012 $
Reported Surplus after Taxation	7,559,697	5,342,766
Plus Non-Cash Items:		
Increase in Deferred Tax	233,160	72,824
(Increase) / Decrease in Investment Funds	(3,228,985)	124,405
Changes in Operating Assets and Liabilities:		
Payables	22,672	62,207
Claims Outstanding	1,927,089	(162,468)
Policy Liabilities	(797,346)	(1,731,663)
Receivables	(1,436,506)	48,519
Premiums Outstanding	(386,828)	(581,961)
Net Cash Flows from Operating Activities	3,892,953	3,174,629

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's risk management is carried out in accordance with policies set by the Board. These policies provide a clear structure for managing financial and operational risks.

Whilst their review of risk is ongoing, directors formally review the major risks faced by the entire Group every six months.

The entity does not directly enter into derivative financial instruments contracts. However its fund managers do, principally to protect the value of investments against adverse currency movements. They are prevented by policy guidelines established by the Group's Investment Committee from entering into such contracts for speculative purposes.

The main risks arising from the financial instruments and the business the Company engages in, are; insurance risk, credit risk, investment risk, currency risk, market risk, liquidity risk and operating risk.

Insurance Risk

Insurance risk is the risk that either inadequate or inappropriate product design, pricing, underwriting, reserving, claims management or reinsurance management will expose the Company to financial loss and, in the worst case a consequent inability to meet its liabilities when they fall due.

There are a number of key policies in place which mitigate insurance risk, including;

- the recruitment, retention and ongoing training of suitably qualified personnel
- the use of sophisticated management information systems that provide reliable data on the risks to which the business is exposed
- the use of external actuarial expertise to assist in determining premium levels and monitoring claims patterns
- the use of reinsurance to limit the Company's exposure to large single claims and accumulations of claims that arise from a singular event
- the monitoring of a reinsurer's credit risk rating to control exposure to reinsurance counterparty default.

Credit Risk

The Company is exposed to two forms of credit risk, one in relation to its insurance operations, the other to the investments which back those insurance operations.

To the former, credit risk is the risk that policyholders, reinsurers, or other third parties which have a contractual liability to the Company, default on their financial obligations.

There are a number of key policies in place which mitigate credit risk, including;

- the use of standard credit control techniques which ensure that premium payments are made within a reasonable timeframe, or cover and hence exposure to claim, cancelled
- the monitoring of a reinsurer's credit risk rating to control exposure to reinsurance counterparty default.

Statement of Financial Position credit exposures -	2013	2012
	$	$
Cash and Cash Equivalents	660,000	1,120,000
Receivables	3,594,720	2,158,214
Premiums Outstanding	4,680,293	4,293,465
Investments	33,398,231	25,669,245
	42,333,244	33,240,924

Whilst the Company may be subjected to credit losses up to the notional principal amounts of the assets as above in the event of non-performance by its counterparties, it does not expect such losses to occur other than as already provided for.

There are no material exposures to any one counterparty.

Credit risk relative to investments is the risk that movements in either interest rates or stockmarkets will have an adverse impact on the profitability and financial stability of the Company.

The investment portfolio, which potentially exposes the Company to credit risk consists of short term deposits and domestic fixed interest securities. The maximum exposure to credit risk is the carrying value of these financial instruments.

Investment funds in part back the insurance operations and in part support share capital and retained earnings. Investment mandates have been structured accordingly and are formalised by way of a Statement of Investment Policies and Objectives. The Investment Committee (of the Medical Assurance Society Group) meets regularly to develop and review investment strategy and monitor manager performance.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued...

Statement of Financial Position investment exposures -	2013	2012
	$	$
Cash and Cash Equivalents	660,000	1,120,000
Deposits and Short Term Securities	3,920,093	2,321,494
Domestic Fixed Interest	9,142,087	9,495,371
International Fixed Interest (Unit Trust)	4,476,167	3,013,958
Australasian Equities (Managed Fund)	4,569,266	3,063,332
International Equities (Exchange Traded Funds)	11,290,618	7,775,090
	34,058,231	26,789,245

The following table provides information on the credit ratings of the entities which the Company is investing into. Investment grade financial assets are classified within the range of AAA to BBB, with AAA being the highest possible rating. The 'Not rated' column discloses those assets not rated by external ratings agencies and principally comprises fixed interest investments with local government authorities.

	AAA	AA	A	BBB	Below BBB	Not rated	Carrying value $
31 March 2013							
Cash and Cash Equivalents	-	100.0%	-	-	-	-	660,000
Deposits / Short Term Securities	-	100.0%	-	-	-	-	3,920,093
Domestic and International Fixed Interest	21.0%	38.7%	7.3%	14.6%	-	18.4%	13,618,254
31 March 2012							
Cash and Cash Equivalents	-	100.0%	-	-	-	-	1,120,000
Deposits / Short Term Securities		100.0%	-	-	-	-	2,321,494
Domestic and International Fixed Interest	17.6%	41.9%	8.9%	20.5%	-	11.2%	12,509,329

Currency Risk

Currency risk is the risk that movements in the New Zealand dollar ("NZD") will have an adverse impact on the profitability and financial stability of the entity.

Currency movements will have a direct impact on the value of international investments (overseas shares and international fixed interest). To mitigate this risk, the Group's Investment Committee has developed currency hedging ranges which the fund manager must adhere to.

Statement of Financial Position currency exposures -	2013	2012
	$	$
Deposits and Short Term Securities (USD - unhedged)	63,823	4,857
International Fixed Interest (AUD - fully hedged)	4,476,167	3,013,958
Australasian Equities (AUD portion unhedged)	1,594,637	1,533,578
International Equities (USD 2013: 64% hedged, 2012: unhedged)	11,290,618	7,775,090
	17,425,245	12,327,483

Market Risk

Market risk is the risk of loss of current and future earnings from adverse moves in currency and the prices of other financial contracts.

There is a tendency for insurers operating within a specific market to be restricted to a certain extent by that market, in terms of premium increases they may wish to apply. The Company, due to the makeup of its customer base, whilst not immune, is less inclined to be restricted by such considerations. Any impact is likely to be insignificant such that premium rates is excluded from the sensitivity analysis.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its liabilities, principally claims payments, as and when they fall due. Liquidity risk is reviewed on an ongoing basis. There are a number of key policies in place which mitigate liquidity risk, including;

- the adherence to a conservative dividend policy
- the immediate availability of significant levels of funding by way of access to inter-company accounts
- the ability to access investment funds via the fund managers at short notice.

The table which follows analyses the Company's financial instruments at balance date, into the relevant maturity groupings based on the remaining period to the contractual maturity date.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued...

31 March 2013	0-12 months $	1-2 years $	2-5 years $	Over 5 years $	Total $
Financial Assets					
Cash and Cash Equivalents	660,000	-	-	-	660,000
Receivables	3,594,720	-	-	-	3,594,720
Premiums Outstanding	4,680,293	-	-	-	4,680,293
Investments	24,358,029	1,176,065	3,639,343	4,224,794	33,398,231
	33,293,042	1,176,065	3,639,343	4,224,794	42,333,244
Financial Liabilities					
Payables	152,971	-	-	-	152,971
Advance from Parent Company	26,779	-	-	-	26,779
Claims Outstanding	4,504,503	-	-	-	4,504,503
	4,684,253	-	-	-	4,684,253

31 March 2012	0-12 months $	1-2 years $	2-5 years $	Over 5 years $	Total $
Financial Assets					
Cash and Cash Equivalents	1,120,000	-	-	-	1,120,000
Receivables	2,158,214	-	-	-	2,158,214
Advance to Parent Company	120,269	-	-	-	120,269
Premiums Outstanding	4,293,465	-	-	-	4,293,465
Investments	16,375,030	101,703	4,011,818	5,180,694	25,669,245
	24,066,978	101,703	4,011,818	5,180,694	33,361,193
Financial Liabilities					
Payables	130,299	-	-	-	130,299
Claims Outstanding	2,577,414	-	-	-	2,577,414
	2,707,713	-	-	-	2,707,713

Operating Risk

Operating risk is the risk of financial loss resulting from either external events, inadequate or failed systems or processes, or insufficiently skilled and trained staff.

There are a number of key policies in place which mitigate operating risk, including;
- the management and staff are responsible for identifying, assessing and managing operational risks in accordance with their roles and responsibilities.
- the Risk and Compliance team is charged with assisting staff identify risks and ensure the sufficiency of and ongoing presence of suitable mitigants.

Sensitivity Analysis

The Company has two risks which are price sensitive to an extent that they may impact earnings materially - Insurance Risk and Credit Risk (as it pertains to Investments). These risks have been considered above.

Insurance risk exists relative to impacts on the determination of the policy liabilities at period end. Movements in interest rates can have a material impact on profit and equity and on the level of supportable bonuses. The levels of claims, lapses and surrenders, and expenses can also impact the level of supportable bonuses, but such impacts are insignificant in financial terms.

The table on the following page looks at how the direct risk variables can influence profit or loss and equity.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued...

Risk Variable	Movement	Impact on Profit and Equity 2013 $	2012 $
Insurance Risk:			
Discount rate (impacting on policy liabilities)	Increase by 1%	1,370,000	860,000
	Decrease by 1%	(1,460,000)	(920,000)
Market Risk:			
Short term deposit rates	Increase by 1%	5,000	8,000
	Decrease by 1%	(5,000)	(8,000)
Bond interest rates	Increase by 0.50%	(170,000)	(109,000)
	Decrease by 0.50%	170,000	109,000
Unit prices	Unit price increases by 10%	1,897,000	997,000
	Unit price decreases by 10%	(1,897,000)	(997,000)
Currency Risk	NZD appreciates by 10% against the USD	(474,000)	(509,000)
	NZD depreciates by 10% against the USD	330,000	622,000
	NZD appreciates by 10% against the AUD	(159,000)	(100,000)
	NZD depreciates by 10% against the AUD	159,000	123,000

Classification of Financial Instruments

The carrying amounts of Assets and Liabilities have been classified into the categories defined in IAS 39 in the tables below.

	Loans and Receivables $	Fair Value Through Profit or Loss $	Other Financial Liabilities $	Total $
31 March 2013				
Assets				
Cash and Cash Equivalents	660,000	-	-	660,000
Receivables	3,594,720	-	-	3,594,720
Premiums Outstanding	4,680,293	-	-	4,680,293
Investments	-	33,398,231	-	33,398,231
	8,935,013	33,398,231	-	42,333,244
Liabilities				
Payables	-	-	152,971	152,971
Advance from Parent Company	-	-	26,779	26,779
Claims Outstanding	-	-	4,504,503	4,504,503
	-	-	4,684,253	4,684,253
31 March 2012				
Assets				
Cash and Cash Equivalents	1,120,000	-	-	1,120,000
Receivables	2,158,214	-	-	2,158,214
Advance to Parent Company	120,269	-	-	120,269
Premiums Outstanding	4,293,465	-	-	4,293,465
Investments	-	25,669,245	-	25,669,245
	7,691,948	25,669,245	-	33,361,193
Liabilities				
Payables	-	-	120,269	120,269
Claims Outstanding	-	-	2,577,414	2,577,414
	-	-	2,697,683	2,697,683

19. CONTRIBUTED EQUITY

	2013	2012
	$	$
Ordinary Shares		
100,000 Ordinary shares	100,000	100,000

All ordinary shares carry the same voting rights, and rights to share in any surplus upon winding-up. Ordinary shares have no par value.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

Directors may change the amount of dividends to be paid to shareholders (if any), return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no current plans to issue further shares.

The Company has a provisional insurance licence from the Reserve Bank of New Zealand ("the Bank"). Conditions are imposed as part of the licencing process, for the Company these include:
- required to retain minimum solvency capital of at least $5m under the Solvency Standard for Life Insurance Business since 18 January 2012.
- from 31 December 2012 the Company must maintain a solvency margin of at least $0. That is, from 31 December 2012 actual solvency capital as determined under the solvency standard should be at or above the minimum solvency capital level.
- a statutory fund must be established by 1 April 2013. A statutory fund was established on 1 April 2013 encompassing all the assets and liabilities of the Company.

The Company has a capital management plan and reporting process in place to ensure continuous and full compliance with the solvency standard.

The minimum solvency capital the Company is required to maintain to meet the solvency standards is as follows:

	2013	2012
	$	$
Actual Solvency Capital	35,712,804	28,032,838
Minimum Solvency Capital	20,289,779	17,634,992
Solvency Margin	15,423,025	10,397,846

20. CONTINGENT LIABILITIES

The Company had no contingencies as at 31 March 2013 (2012 nil).

21. SUBSEQUENT EVENT

On 27 February 2013 the Board of the Company approved in principal the transfer of the Disability business from Medical Insurance Society Limited ("MIS"). Like the Company, MIS is a fully owned subsidiary of Medical Assurance Society New Zealand. The transfer follows a review of the appropriateness of maintaining long term disability business within the Groups' fire and general company.

As a licensed insurer, the transfer required approval from the Reserve Bank of New Zealand ("RBNZ"). The RBNZ gave approval for the transfer on 26 March 2013.

On 1 April 2013 the transfer of the Disability business was effected.

Independent Auditor's Report

To the Shareholders of Medical Life Assurance Society Limited

Report on the Financial Statements

We have audited the financial statements of Medical Life Assurance Society Limited on pages 1 to 19, which comprise the statement of financial position of Medical Life Assurance Society Limited as at 31 March 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, 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.

Auditor's Responsibility

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

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

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

We undertake regulatory assurance work to Medical Life Assurance Society.

Partners and employees of our firm may deal with the company on normal terms within the ordinary course of trading activities of the business of the company.

Opinion

In our opinion, the financial statements on pages 1 to 19:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Medical Life Assurance Society Limited as at 31 March 2013 and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by Medical Life Assurance Society Limited as far as appears from our examination of those records.

Ernst & Young

26 June 2013
Wellington

Davies Financial and Actuarial Limited

8th August 2013

To: The Directors
Medical Life Assurance Society Limited

From: Peter Davies
Appointed Actuary

Re: Medical Life Assurance Society Limited: Report as at 31st March 2013 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for Medical Life Assurance Society Limited as at 31st March 2013. "Actuarial information" includes the following:

    - policy liabilities;
    - solvency calculations in terms of the RBNZ Solvency Standard;
    - balance sheet and other information allowed for in the calculation of the company's solvency position; and
    - disclosures regarding the methodology and assumptions used for calculating policy liabilities, and other disclosures.

2. No limitations have been placed on my work.

Level 1, 3 Shea Terrace, Takapuna 0622 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz
P.O. Box 35-258, Browns Bay, Auckland 0753 Facsimile: (09) 489-6613 home page: www.actuary.co.nz

3. I am independent with respect to Medical Life Assurance Society Limited as defined under professional standard ISA (NZ) 620 of the New Zealand Institute of Chartered Accountants.

4. I have been provided with all information that I have requested in order to carry out this review.

5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.

6. Medical Life Assurance Society Limited exceeded the minimum capital requirement of the RBNZ solvency standard as at 31st March 2013. It also exceed the requirement following the transfer in of the disability book from Medical Insurance Society Limited that occurred immediately after balance date. The company (including the disability book) is projected to exceed the minimum requirement at all times over the next three years.

I would be very happy to answer any queries concerning this report.

Yours sincerely

Peter Davies B.Bus.Sc., FIA, FNZSA
Appointed Actuary

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