The New India Assurance Company Limited - New Zealand Branch

Annual report 2019

Report contents

Directors' declaration

In the opinion of the Directors of The New India Assurance Company Limited ('the Branch') the financial statements and notes, on pages 3 to 24:

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Branch as at 31 March 2019 and the result of operations for the year ended on that date;
- have been prepared using the 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 Reporting 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.

The Directors are pleased to present the annual report including the financial statements of The New India Assurance Company Limited - New Zealand Branch for the year ended 31 March 2019.

The results of operations for the year and the state of affairs of the Branch, as reported in the financial statements, were as expected by the Directors.

The Directors had no interests in contracts with the Branch except as disclosed in note 22.

The Directors do not receive any remuneration from the Branch.

One employee received remuneration and other benefits of between $60,000 - $70,000

One employee received remuneration and other benefits of between $110,000 - $120,000.

One employee received remuneration and other benefits of between $140,000 - $150,000.

Donations amounting to $250 were made by the Branch during the year.

The Auditors remuneration from the Branch is as disclosed at Note 7.

Director	Director
Date: 26.7.2019	Date: 26.7.2019

Directory

Incorporation number	1489374
Principal activities	General Insurance. There have been no changes in the main activities of the Branch during the year.
Registered office	Level 5 63 Albert Street Auckland 1030 New Zealand
Directors	S.K. Banerjee S.K. Chanana N. Chellappa N. Damodharan P.S. Gupta R.M. Pikkili K. Singh H.G. Rokade (resigned 27 January 2019) L. Rajan (resigned 24 May 2018) G. Srinivasan (resigned 31 July 2018) A. Sahai (appointed 04 December 2018) D. Panda (appointed 24 May 2018)
Auditor	Baker Tilly Staples Rodway Chartered Accountants

Statement of comprehensive income

For the year ended 31 March 2019
in New Zealand dollars

	Note	2019 $	2018 $
Gross earned premium revenue	6	14,253,780	9,785,373
Outwards reinsurance premium expense		(2,435,473)	(1,811,266)
Net premium revenue		**11,818,307**	**7,974,107**
Claims expense		(5,088,357)	(13,108,678)
Reinsurance and other recoveries revenue	6	675,684	5,572,115
Net claims incurred		**(4,412,673)**	**(7,536,563)**
Acquisition costs		(1,009,257)	(928,076)
Other expenses	7	(1,184,018)	(1,393,513)
Underwriting expense		**(2,193,275)**	**(2,321,589)**
Underwriting profit/(loss)		**5,212,359**	**(1,884,045)**
Investment income	8	2,192,907	2,186,887
Profit before income tax expense		**7,405,266**	**302,842**
Income tax benefit/(expense)	9	(2,147,848)	579,910
Profit for the year		**5,257,418**	**882,752**
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**5,257,418**	**882,752**

Statement of financial position

As at 31 March 2019

in New Zealand dollars

	Note	2019	2018
		$	$
Assets			
Current assets			
Cash and cash equivalents		2,072,581	921,109
Trade and other receivables	12	6,018,544	3,916,907
Deferred acquisition costs	13	583,986	447,594
Investments	11	33,388,630	14,946,337
Income tax receivable	9	-	1,629,124
Total current assets		**42,063,741**	**21,861,071**
Non-current assets			
Property, plant and equipment	10	17,952	17,439
Investments	11	27,465,169	37,453,628
Total non-current assets		**27,483,121**	**37,471,067**
Total assets		**69,546,862**	**59,332,138**
Liabilities			
Current liabilities			
Trade and other payables	14	1,233,075	848,069
Outstanding claim provisions	15	5,907,017	11,175,300
Income tax payable	9	693,202	-
Unearned premium reserve	18	9,331,791	5,838,081
Total current liabilities		**17,165,085**	**17,861,450**
Non-current liabilities			
Deferred tax liability	9	85,247	97,836
Total non-current liabilities		85,247	97,836
Total liabilities		**17,250,332**	**17,959,286**
Equity			
Retained earnings		28,453,421	23,196,003
Total equity		**28,453,421**	**23,196,003**
Head office account	22	23,843,109	18,176,849
Total equity and head office account		**52,296,530**	**41,372,852**
Total liabilities and equity		**69,546,862**	**59,332,138**

Director
Date: 26.7.2019

Director
Date: 26.07.2019

This statement is to be read in conjuction with the notes to the financial statements

Statement of changes in equity

For the year ended 31 March 2019
in New Zealand dollars

	Retained earnings $	Total $
Balance at 1 April 2018	23,196,003	23,196,003
Total comprehensive income for the year		
Profit for the year	5,257,418	5,257,418
Other comprehensive income/(expense)	-	-
Total comprehensive income for the year	5,257,418	5,257,418
Balance at 31 March 2019	28,453,421	28,453,421
Balance at 1 April 2017	22,313,251	22,313,251
Total comprehensive income for the year		
Profit for the year	882,752	882,752
Other comprehensive income/(expense)	-	-
Total comprehensive income for the year	882,752	882,752
Balance at 31 March 2018	23,196,003	23,196,003

Statement of cash flows

For the year ended 31 March 2019
in New Zealand dollars

	Note	2019 $	2018 $
Cash flows from operating activities			
Premiums received		16,081,997	10,438,974
Reinsurance and other recoveries received		576,954	5,724,679
Interest received		1,498,065	1,497,323
Claims paid		(7,393,232)	(5,007,651)
Outwards reinsurance premiums paid		(2,697,338)	(1,703,264)
Acquisition expenses recovered/(paid)		1,557,191	(4,251,649)
Other underwriting expenses paid		(780,237)	(890,596)
Income tax received/(paid)		769,750	(831,523)
Net cash from operating activities	20	9,613,150	4,976,293
Cash flows from investing activities			
Investment in term deposits at banking institutes		(8,453,834)	(4,829,631)
Purchase of property, plant and equipment		(7,844)	(750)
Net cash used in investing activities		(8,461,678)	(4,830,381)
Net increase		1,151,472	145,912
Opening cash and cash equivalents 1 April		921,109	775,197
Closing cash and cash equivalents 31 March		2,072,581	921,109

Notes to the financial statements

1 Reporting entity

The financial statements are for the New Zealand branch of The New India Assurance Company Limited (the "Branch"). The Branch is a Branch of The New India Assurance Company Limited, a company incorporated in India and an overseas company registered under the Companies Act 1993. The Branch holds a license to issue general insurance products in New Zealand, and as such is a FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of that Act and the Financial Reporting Act 2013.

The Branch is a for-profit reporting entity.

The Branch provides general Insurance services directly to other entities.

The financial statements presented are for The New India Assurance Company Limited as at and for the year ended 31 March 2019. The financial statements were authorised for issue by the Directors on date included on page 1.

2 Basis of preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. The financial statements comply with International Financial Reporting Standards (IFRS).

The financial statements are presented in New Zealand dollars ($). This is the Branch's functional and presentation currency. All amounts are rounded to the nearest dollar.

Basis of measurement

The financial statements have been prepared on the historical cost basis, as modified by certain exceptions as described in the accounting policies below.

In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. It is possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed where applicable in the relevant notes to the financial statements.

All accounting policies have been applied consistently to all periods presented in the financial statements.

Certain comparatives have been updated to be consistent with the current year.

Notes to the financial statements (continued)

2 Basis of preparation (continued)

Key sources of estimation uncertainty

The key area of estimation uncertainty for the Branch is in its estimation of outstanding claims and reinsurance recoveries.

The ultimate liability arising from claims made under insurance contracts

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the end of the reporting period, including the cost of claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) to the Branch.

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

The estimation of IBNR and IBNER is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Branch, where more information about the claim event is generally available. In calculating the estimated cost of unpaid claims the Branch uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- change in economic environment
- changes in the mix of business
- changes in claim management practice

Provisions are calculated gross of all recoveries.

The methods used to analyse past claims experience and to project future claims experience are largely determined by the available data and the nature and maturity of the portfolio.

The determination of an appropriate outstanding claims liability and the specific assumptions used are detailed in note 3.

Principles of general insurance

An insurance contract is defined as a contract under which one party (the insurer) accepts significant risk from another party (the policy holder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The insurance activities of the Branch all arise from general insurance contracts.

Reinsurance recoveries

Reinsurance recoveries are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, reinsurance recoveries are measured at cost less impairment. A reinsurance asset is impaired if there is objective evidence as a result of an event that occurred after initial recognition of the asset that the amounts due may not be received and the amount can be reliably measured. An impairment is recognised in the profit and loss.

Reinsurance programme

Reinsurance is purchased to make the Branch's results less volatile by reducing the effect that individual large claims and catastrophic events leading to multiple claims have on results.

The experience based model has been adopted while purchasing catastrophic reinsurance cover.

The majority of reinsurance has been arranged on excess of loss treaty basis and facultative cover is used where certain risks are falling outside the limits provided under excess of loss treaty to ensure complete financial protection.

Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits with maturities of 3 months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short term commitments.

Cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as financial assets.

Assets Backing General Insurance Liabilities

The Branch maintains its investment portfolio to ensure that investments are part of the current assets available to meet its insurance liabilities as they become due and payable.

Notes to the financial statements (continued)

2 Basis of preparation (continued)

Goods and service tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

Equity Retention

It is the policy of the shareholders to ensure that equity retained provides an adequate level of solvency when measured against capital requirements to support the assets of the Branch. The Head Office account is subordinated to all liabilities of the Branch and will not be repaid unless there is an adequate surplus of assets over liabilities after repayment of the Head Office account.

New accounting standards and interpretations

The Branch has not adopted any new standards or interpretations early.

Significant accounting standards adopted during the year that are first operative

The following new accounting standards are applicable for the current reporting period.

There were other accounting standards which became effective during the year, but had no material impact on the financial statements.

NZ IFRS 9 - Financial Instruments

NZ IFRS 9 was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. This standard became effective for periods beginning on or after 1 January 2018. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. As the Branch's activities are predominantly connected with insurance contracts within the scope of IFRS 4, the Branch qualifies for the temporary exemption outlined in NZIFRS 4.20A-20B to defer the application of IFRS 9 until 2021. The Branch expects that the measurement bases of the Branch's financial assets and liabilities under NZ IAS 39 and NZ IFRS 9 will have no material impact on the financial statements.

NZ IFRS 15 - Revenue from contracts with customers

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This standard became effective for periods beginning on or after January 2018. There is no material impact for the Branch as NZ IFRS 15 does not apply to insurance contracts and financial instruments. As the majority of the Branch's revenue is from insurance contracts it's revenue is not impacted by this change.

Standards issued but not yet effective

The Branch will adopt the following new and revised standards when they become mandatory.

IFRS 16 Leases

NZ IFRS 16 Leases replaces NZ IAS 17 and is effective for periods commencing 1 January 2019. It requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use assets' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets for leases. This standard will result in additional assets and liabilities when the current operating leases (plus lease payments related to renewal periods which the Branch is reasonably certain to exercise) are brought on to the balance sheet with interest and depreciation replacing the current operating lease expense when the standard is adopted. The Branch will recognise new assets and liabilities for its office premises lease. The nature of expenses related to the office premises lease will now change because the Branch will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. The branch is currently renegotiating the renewal of the office premises lease which at balance date has a lease term of less than twelve months. Due to the details of the new lease not yet being finalised, it is not possible to calculate the impact for the branch at present. The Branch will elect to apply the exemption not to recognise short term leases and leases for low value assets. Accordingly, the Branch will recognise the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Notes to the financial statements (continued)

2 Basis of preparation (continued)

IFRS 17 Insurance Contracts

The new standard is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The effective date of the new standard is on or after 1 January 2021. The Branch is yet to assess the impact of IFRS 17.

3 Actuarial assumptions and methods

The actuary who carried out the valuation of the claims reserving of the Branch is Simon Ferry from the actuarial team at Aon New Zealand. The Branch has appointed Simon Ferry to act as the Appointed Actuary.

Report Date: 09 July 2019
Qualification: Fellow of the New Zealand Society of Actuaries

The report relied on historical data and other qualitative and quantitative information provided by The New India Assurance Company Limited - New Zealand Branch. The actuary also reconciled the business data to the financial data in which the overall result is acceptable.

Unexpired risk liability

The unearned premium liability was found to be adequate as at 31 March 2019.

The probability of sufficiency (POS) adopted in performing the liability adequacy test (LAT) is set at the 75th percentile (2018: 75th percentile) which is the same as that adopted in determining the outstanding claims liability (OCL).

The POS for OCL is set at a level that is appropriate to cover the Branch's claims obligations after having regard to the prevailing market environment and prudent industry practice.

Being a test of adequacy, the POS for LAT is set to highlight deficiencies in product pricing following an analysis of the Branch's profit margins for the last two financial years.

Assumptions

The following assumptions have been made in determining the outstanding claims reserves:

	2019	2018
Inflation rate	1.52%	1.77%
Discount rate	1.75%	2.25%
Discounted mean term (years)	2	2
Claim handling expense ratio	9.20%	4.30%
Risk margin	15.00%	15.00%

Processes Used to Determine Assumptions

The valuation of outstanding claims liabilities included in the Appointed Actuary report are calculated using the Chain Ladder Method and the Payments Per Claim Incurred Method.

In the development of Claim Payment Patterns and projecting claim payment liabilities the following economic assumptions have been made:

Inflation Rate

Pre valuation date claim inflation has been taken as movements in CPI. Post valuation date claim inflation has been taken as 1.52% per annum. Most claims are of a short to medium term duration.

Notes to the financial statements (continued)

3 Actuarial assumptions and methods (continued)

Discount Rate

The discount rate used is 1.75% per annum. This is approximately the average gross yield on Government Bonds of short to medium term durations consistent with the duration of the liabilities.

Claims Handling Expenses

The Branch is responsible for the on-going management of all claims incurred on or before 31 March 2019. To reflect this expense, an allowance is included in the central estimate of the outstanding claims liability.

Risk Margin

A risk margin at a 75% level of sufficiency has been used to determine the outstanding claims liability at 31 March 2019. The risk margin reflects the predominantly short tail nature of the business.

Sensitivity Analysis

The Outstanding Claims Liability provision has been estimated by the Appointed Actuary taking into consideration overall past claims experience and case estimates information provided by the management of the Branch. A 10% increase in Claims Expense ratio, from 9.2% to 10.1%, will result in a 0.8% increase ($45,800) in Outstanding Claims Liability, decreasing the reported profit and equity by the same amount. Likewise a 10% increase in Risk Margin, from 15.0% to 16.5%, will result in a 1.3% increase ($75,500) in Outstanding Claims Liability , decreasing profit and equity by the same amount.
Refer notes 16 and 17 for further details of the development of claims and concentration of risk.

Solvency

As at 31 March 2019, The New India Assurance Company Limited had an audited Solvency Ratio (Total Available Solvency Margin/ Total Required Solvency Margin) of 2.13 (= Rs134.95bn /Rs63.32bn or $2.860bn/$1.342bn) in accordance with Section 64VA of the Insurance Act, 1938 and the Insurance Regulatory and Development Authority of India (Assets, Liabilities and Solvency Margin of General Insurance Business) Regulation 2016.

	31 March 2019		31 March 2018	
	Rs billions	NZ$ billions	Rs billions	NZ$ billions
Actual solvency capital	134.95	2.860	137.39	2.912
Minimum solvency capital	63.32	1.342	53.23	1.128
Solvency margin	71.63	1.518	84.16	1.784
Solvency ratio	2.13	2.13	2.58	2.58

4 Insurance Contracts Risk Management Policies and Procedures

The Branch writes general commerical insurance in New Zealand.

The principal risk the Branch faces under insurance contracts is that the actual claims payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual claims paid and subsequent development of long-term claims. Therefore, the objective of the Branch is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across the portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Branch purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is treaty reinsurance placements which is taken out to reduce the overall exposure of the Branch to certain classes of business. Non- proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Branch's net exposure to risk and catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions and are in accordance with the reinsurance contracts. Although the Branch has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit risk exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Branch has received an A- (Excellent) Credit Rating and an A- (Excellent) Financial Strength Rating from A.M Best Company, an approved agency by the Reserve Bank of New Zealand, dated 14 February 2019. The credit rating is an indication of the Branch's ability to pay current and future claims.

Notes to the financial statements (continued)

5 Insurance and Financial Risks

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Branch's exposure to credit risk:

The Branch has investments in bank fixed deposits mostly for 1-3 years to avoid long term risk. The banks are selected for fixed deposit investment on the basis of their credit ratings by approved Rating Agencies and having superior ratings to ensure safety and liquidity of capital. The investments are made in different banks in order to ensure diversification and spread risk and to reduce the exposure in single bank transactions.

The credit risk in respect of customer balances incurred on non-payment of premiums will only persist during the grace period specified in the policy document, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The carrying amount of the financial instruments equals the maximum credit risk.

Credit exposure by credit rating

The table below provides information regarding the maximum credit risk exposure of the Branch by classifying assets according to Branch's credit ratings of counterparties:

31 March 2019	**Rated**	**Unrated**
Financial assets	$	$
Term deposit with credit institutions	60,853,799	-
Trade receivables	-	4,826,070
Cash and cash equivalents	2,072,581	-
Accrued interest	176,234	-
Total	63,102,614	4,826,070

31 March 2018	**Rated**	**Unrated**
Financial assets	$	$
Term deposit with credit institutions	52,399,965	-
Trade receivables	-	3,160,572
Cash and cash equivalents	921,109	-
Accrued interest	89,253	-
Total	53,410,327	3,160,572

Cash and cash equivalents and term deposits are invested with New Zealand Banks i.e. ANZ Bank New Zealand Limited having a credit rating of AA- of Standard & Poor's, AA- of Fitch and A1 of Moody's, Bank of India (New Zealand) Limited having a credit rating of BB+ of Standard and Poor's and Bank of Baroda having a credit rating of BBB- of Fitch. Insurance receivables are not rated.

The concentration of risk relating to cash and cash equivalents and term deposits of the Branch is related to the amounts held by the three financial institutions ANZ, Bank of Baroda and Bank of India.

Deposits held in:	2019	2018
	%	%
Bank of India	30	52
ANZ	66	45
Bank of Baroda	4	3
Total	100	100

Age analysis of financial assets past due but not impaired

For assets to be classified as "past-due" but not impaired contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

As at 31 March 2019, there were $626,111 of financial assets past due but not impaired (2018: $434,101).

Notes to the financial statements (continued)

5 Insurance and Financial Risks (continued)

Liquidity Risk

Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. Ultimate responsibility for liquidity risk management rests with the board of directors who have built a liquidity risk management framework for the management of the Branch's short, medium and long term investment portfolio which can be liquidated at short notice.

The following procedures are in place to mitigate the exposure to liquidity risk:
The Branch manages its liquidity risk by monitoring the total cash inflows and outflows expected on a daily and monthly basis. The normal cash outflow is managed from monthly cash inflow premium and in the event of greater and significant outflow of cash, the liquidity may be managed through liquidating the bank fixed deposits and if the requirements exceed these limits, Head Office in India shall be approached to provide liquidity support.

All net cash outflows for liabilities in the financial statements will be within 12 months. The Branch maintains a portfolio of highly marketable assets that can easily be liquidated in the event of an unforeseen interruption of cash flow. The net cash inflow for premium debts will be within 12 months. Receivables include interest receivable.

2019	Less than 1 year	1-5 years	5+ years	Total
Financial Liabilities				
Outstanding claims	3,090,996	-	-	3,090,996
Non-interest bearing payables	1,233,075	-	-	1,233,075
	4,324,071	-	-	4,324,071

2018	Less than 1 year	1-5 years	5+ years	Total
Financial Liabilities				
Outstanding claims	8,368,050	-	-	8,368,050
Non-interest bearing payables	848,067	-	-	848,067
	9,216,117	-	-	9,216,117

Capital risk management

The Branch manages its capital structure to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance.

The capital structure of the Branch consists of equity comprising accumulated profits as disclosed in the Statement of Changes in Equity.

The directors review the capital structure on a regular basis, as part of the review the directors consider the cost of capital and the risks associated with each class of capital. The directors balance the overall capital structure through the issue of new debt or redemption of existing debt when required.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Branch cannot expect to eliminate all operational risks, but by initiating a rigourous control framework and by monitoring and responding to potential risks, the Branch is able to manage the risks. Controls include segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environmental, technology and the industry are monitored through the Branch's strategic planning and budgeting process.

Notes to the financial statements (continued)

5 Insurance and Financial Risks (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks are currency exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk. The Branch does not deal with any capital market risk instruments involving fluctuations in values and all investments are in short and medium term bank fixed deposits of 1 to 5 year term period basis with fixed interest rates.

The fair value of the financial assets is not significantly different to the carrying amount

Currency risk

Currency risk is the risk that the value of recognised assets and liabilities or the cash flows from possible future transactions that are denominated in a currency other than that of the functional currency will decrease due to changes in market exchange rates.

The Branch has no foreign currency exposure at balance date that is considered material.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate as a result of changes in market interest rates.

The Branch primarily faces interest rate risk due to the nature of its investments and liabilities. The Branch manages its exposure to this risk by holding the majority of such assets on short to medium term maturities.

The following table details the Branch's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets.

	Weighted average interest rate	Less than 1 year	1-5 years	5+ years	Total
2019					
Non-interest bearing					
Cash		2,072,581	-	-	2,072,581
Trade and other receivables		6,018,544	-	-	6,018,544
Fixed interest rate instruments					
Short term deposits	4.01%	33,388,630	-	-	33,388,630
Medium term deposits	4.08%	-	27,465,169	-	27,465,169
		41,479,755	27,465,169	-	68,944,924

	Weighted average interest rate	Less than 1 year	1-5 years	5+ years	Total
2018					
Non-interest bearing					
Cash		921,109	-	-	921,109
Trade and other receivables		3,916,907	-	-	3,916,907
Fixed interest rate instruments					
Short term deposits	4.50%	14,946,337	-	-	14,946,337
Medium term deposits	4.33%	-	37,453,628	-	37,453,628
		19,784,353	37,453,628	-	57,237,981

A change of 50 basis points movement in interest rates would increase or decrease net profit before tax by $304,269 (2018: $262,000).

Notes to the financial statements (continued)

5 Insurance and Financial Risks (continued)

Price risk

Price risk is the risk that the fair value of equities or financial instruments could decrease due to fluctuations in market prices.

The Branch has no such price risk exposure at balance date (2018: nil).

6 Revenue

	2019	2018
	$	$
Gross written premium	17,747,490	11,515,942
Movement in unearned premium	(3,493,710)	(1,730,569)
Gross earned premium reserve	14,253,780	9,785,373
Reinsurance and other recoveries revenue	675,684	5,572,115
	14,929,464	15,357,488

Revenue policy

Premium revenue
Direct and inwards insurance premium revenues represent amounts charged in relation to accepting risk from policy holders or other insurers and do not include amounts collected on behalf of third parties.

The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue from the date of attachment of risk. Premium revenue is recognised evenly over the period of the policy or the period of indemnity on the basis of the 365ths method which is considered to closely approximate the pattern of incidence of risk.

The unearned portion of premium is recognised within unearned premium reserve in the Statement of Financial Position.

Reinsurance commission income
Reinsurance commission income is earned on business ceded to reinsurers. Commission income is recognised as the service is performed.

Outward Reinsurance Expense
Premium ceded to reinsurers is recognised as an expense from the date of attainment of risk over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

7 Expenses

	2019	2018
The following are included in Other expenses:	$	$
Depreciation	7,331	6,690
Amortisation of intangible assets	-	12
Rental operating lease expenses	83,137	84,127
Salaries and wages	588,430	543,290
Doubtful debts	-	39,820
Auditor's remuneration comprises:		
Audit of financial statements - Baker Tilly Staples Rodway Chartered Accountants	34,500	34,500
Other assurance services - UHY Haines Norton Chartered Accountants	-	180,077
- Baker Tilly Staples Rodway Chartered Accountants	28,500	7,500
Total auditor's remuneration	63,000	222,077

Notes to the financial statements (continued)

8 Investment Income

	2019 $	2018 $
Interest income	2,192,907	2,186,887
Total investment income	2,192,907	2,186,887

Finance income and expenses policy

Finance income comprises interest income. Interest income is recognised in the Statement of Comprehensive Income as it accrues using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the liability.

9 Income tax

	2019 $	2018 $
Tax recognised in profit or loss		
Current tax expense		
Current period	2,156,226	35,302
Adjustment for prior periods	4,211	(650,507)
Total current tax expense	2,160,437	(615,205)
Deferred tax expense		
Origination and reversal of temporary differences	(13,059)	35,295
Adjustment for prior periods	470	-
Total deferred tax (benefit)/expense	(12,589)	35,295
Total income tax expense/(benefit)	2,147,848	(579,910)
Reconciliation of effective tax rate		
Profit before tax	7,405,266	302,842
Income tax using the Branch's domestic tax rate of 28%	2,073,474	84,798
Income tax liability on as agent tax return	68,193	-
Permanent differences	1,500	(14,201)
Adjustment for prior periods - current tax	4,211	(650,507)
Adjustment for prior periods - deferred tax	470	-
Income tax expense/(benefit)	2,147,848	(579,910)
Deferred tax		
Provisions and accruals	61,057	10,278
Receivables	17,212	17,212
Deferred acquisition cost	(163,516)	(125,326)
Net deferred tax liability	(85,247)	(97,836)

The current tax payable of $693,202 (2018: tax receivable of $1,629,124) represents the amount of income taxes payable (2018: receivable) in respect of current and prior periods.

Notes to the financial statements (continued)

9 Income tax (continued)

Income tax policy

Current tax

Current Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date in the countries where the Branch operates and generates taxable income. Current Income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred tax

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred 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 difference, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax assets are reassessed at each reporting 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 tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

10 Property, plant and equipment

	2019				
	Furniture and fittings	Motor vehicle	Office equipment	Other assets	Total
	$	$	$	$	$
Cost					
Balance at 1 April 2018	46,766	46,923	44,673	1,153	139,515
Additions	1,800	-	6,044	-	7,844
Balance at 31 March 2019	48,566	46,923	50,717	1,153	147,359
Depreciation and impairment losses					
Balance at 1 April 2018	(38,416)	(39,385)	(43,220)	(1,055)	(122,076)
Depreciation for the year	(1,791)	(1,960)	(3,557)	(23)	(7,331)
Disposals	-	-	-	-	-
Balance at 31 March 2019	(40,207)	(41,345)	(46,777)	(1,078)	(129,407)
Carrying amount					
At 31 March 2019	8,359	5,578	3,940	75	17,952

Notes to the financial statements (continued)

10 Property, plant and equipment (continued)

	Furniture and fittings	Motor vehicle	2018 Office equipment	Other assets	Total
	$	$	$	$	$
Cost					
Balance at 1 April 2017	46,766	46,923	43,923	1,153	138,765
Additions	-	-	750	-	750
Balance at 31 March 2018	46,766	46,923	44,673	1,153	139,515
Depreciation and impairment losses					
Balance at 1 April 2017	(36,157)	(36,737)	(41,467)	(1,025)	(115,386)
Depreciation for the year	(2,259)	(2,648)	(1,753)	(30)	(6,690)
Disposals	-	-	-	-	-
Balance at 31 March 2018	(38,416)	(39,385)	(43,220)	(1,055)	(122,076)
Carrying amount					
At 31 March 2018	8,350	7,538	1,453	98	17,439

	Furniture and fittings	Motor vehicle	Office equipment	Other assets	Total
Carrying Amount	$	$	$	$	$
At 31 March 2018	8,350	7,538	1,453	98	17,439
Additions	1,800	-	6,044	-	7,844
Disposals	-	-	-	-	-
Depreciation	1,791	1,960	3,557	23	7,331
Depreciation recovered	-	-	-	-	-
At 31 March 2019	8,359	5,578	3,940	75	17,952

Property, plant and equipment policy

Recognition and measurement

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation is charged to the Statement of Comprehensive Income. The following rates have been used:

Furniture and fittings	15% to 19% diminishing value
Motor vehicle	26% diminishing value
Office equipment	14% to 60% diminishing value
Other assets	19% to 25% diminishing value

The residual value of assets is reassessed annually.

Impairment

The carrying amounts of the Branch's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Comprehensive Income.

Notes to the financial statements (continued)

11 Investments

	2019 $	2018 $
Current		
Term deposits	33,388,630	14,946,337
	33,388,630	14,946,337
Non-current		
Term deposits	27,465,169	37,453,628
	27,465,169	37,453,628
Total investments	60,853,799	52,399,965

Investments policy

Term deposits are held to maturity measured at amortised cost at balance date.

12 Trade and other receivables

	2019 $	2018 $
Premium due from policyholders and intermediaries	4,887,541	3,222,043
Provision for doubtful debts - trade receivables	(61,471)	(61,471)
Total trade receivables	4,826,070	3,160,572
Other receivables	351,351	264,058
Accrued Interest	176,234	89,253
Prepayments	664,889	403,024
Total other receivables	1,192,474	756,335
Total receivables	6,018,544	3,916,907

Trade and other receivables policy

Trade receivables are stated at their cost less allowance for impairment and credit notes due. An allowance is established when the Branch will not be able to collect all amounts due to the original term of the receivable. Any decrease or increase of the allowance is recognised in the Statement of Comprehensive Income.

A provision for impairment of trade receivables is established when there is objective evidence that the Branch will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment. In the current year the Branch has recognised an increase in doubtful debts of $nil (2018: $39,820).

Trade receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets, and measured at at amortised cost using the effective interest method less impairment.

Notes to the financial statements (continued)

13 Deferred acquisition costs

	2019	2018
	$	$
Opening balance at 1 April	447,594	401,029
Current year movement	136,392	46,565
Total deferred acquisition cost	583,986	447,594

Deferred acquisition costs policy

Acquisition costs incurred in writing and renewing of insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will be recoverable out of future premiums. Deferred acquisition costs are amortised in accordance with expected pattern of incidence of risk under the insurance to which they relate.

Deferred acquisition costs are measured at the lower of cost and recoverable amount. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less that the carrying value, an impairment loss is recognised in the profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period. Deferred acquisition costs are derecognised when the related contracts are either settled or disposed of.

14 Trade and other payables

	2019	2018
	$	$
Trade payables	269,133	315,761
Non trade payables and accrued expenses	938,679	495,601
Liability for annual/sick leave	25,263	36,707
	1,233,075	848,069

Trade and other payables policy

A provision is recognised when the Branch has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates, and, where appropriate, the risks specific to the liability.

The average credit limit for payables owing to the Branch's reinsurer and brokers is 90 days. The Branch has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Trade and other payables are recognised when the Branch becomes obliged to make future payments resulting from the purchase of goods and services.

Trade and other payables are classified as 'other financial liabilities'. Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Notes to the financial statements (continued)

15 Outstanding claims provision

	2019 $	2018 $
Central estimate of outstanding claims provisions (including risk margin)	3,861,505	9,701,970
Claim handling expenses	404,815	366,600
Claims incurred but not reported	352,143	948,800
Claims but not enough reported	1,288,554	157,930
Total outstanding claims provision	5,907,017	11,175,300

The risk margin used to determine claims incurred but not reported included in total outstanding claims is 15.0% (2018: 15.0%) of the central estimate.

Outstanding claims provision policy

The Branch's claims liability is measured as the present value of expected future payments relating to claims incurred at the reporting date. The expected future payments include those estimates in relation to the claims incurred but not enough reported (IBNER) and claims incurred but not reported (IBNR) based on past experience.

Claims incurred all relate to providing services, including the bearing of risk, and are accordingly treated as expenses in the Statement of Comprehensive Income. Claims expenses represent total claim payments made during the year adjusted for the movement in the outstanding claims liability.

The claims liability is measured based on the valuations performed by the Appointed Actuary whose key assumptions are outlined in note 3.

16 Development of claims

The following table shows the development of net outstanding claims relative to the current estimate of ultimate claim costs for the five most recent years.

	2015 $	2016 $	2017 $	2018 $	2019 $	Total $
Ultimate claims cost estimate						
At the end of incident year	2,755,572	2,803,264	2,258,942	9,642,344	4,292,620	
One year later	3,895,868	2,223,118	2,398,129	8,488,578	-	
Two years later	3,612,675	1,465,372	2,077,303	-	-	
Three years later	3,574,582	2,029,165	-	-	-	
Four years later	1,405,784	-	-	-	-	
Earlier						
Current estimate of ultimate cost	1,405,784	2,029,165	2,077,303	8,488,578	4,292,620	
Cumulative payments	(1,376,420)	(2,025,722)	(2,003,271)	(8,001,953)	(2,542,390)	
Undiscounted central estimate	29,364	3,443	74,032	486,625	1,750,230	2,343,694
Discount to present value	370	43	932	6,125	22,030	29,500
Discounted central estimate	28,994	3,400	73,100	480,500	1,728,200	2,314,194
Claims management expenses						396,500
IBNR						344,900
Risk margin						754,650
Net outstanding claims liability						3,810,244
Reinsurance and third party recoveries on outstanding claim liability						2,096,773
Gross outstanding claims liability						5,907,017

Notes to the financial statements (continued)

17 Concentration of Insurance Risk

Refer to the following table for Concentration of Insurance Risk by type and geographical area: ($ million)

	No. Risks	Building	Contents	BI	Total
		$	$	$	$
Northland	21	6	3	5	14
Auckland	1,057	998	391	320	1,709
Waikato/Hamilton	219	191	73	44	308
Bay of Plenty/Tauranga/Rotorua	51	37	44	8	89
Taranaki/New Plymouth	285	68	22	11	101
East Coast/Gisbourne	(1)	(5)	(3)	(3)	(11)
Manawatu/Wanganui/P. North	142	190	58	44	292
Napier/Hastings/Hawkes Bay	152	478	102	95	675
Wellington/Lower Hutt/Porirua	89	139	21	28	188
Nelson	180	189	97	95	381
Marlborough/Blenheim	21	35	17	2	54
Canterbury/Christchurch	110	231	228	69	528
Westland/Greymouth	24	8	22	5	35
Otago/Dunedin	31	60	53	6	119
Southland/Invercargill	80	54	139	37	230
Pacific Islands of NZ	360	198	262	68	528
	2,821	2,877	1,529	834	5,240

18 Unearned premium reserve

	2019	2018
	$	$
Opening balance at 1 April	5,838,081	4,107,512
Deferral of premium on contracts written during the year	9,331,791	5,838,081
Earning of premiums deferred in prior years	(5,838,081)	(4,107,512)
Closing balance at 31 March	9,331,791	5,838,081

Notes to the financial statements (continued)

19 Liability adequacy test

The liability adequacy test is an assessment of the carrying amount of unearned premium liabilities and is conducted at the end of each reporting period. The test is conducted separately for each portfolio of contracts that are subject to broadly similar risks that are managed together as a single portfolio.

The Appointed Actuary has assessed the adequacy of the Unearned Premium Liability by considering Deferred Acquisition Costs and the estimated present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance policies as follows:

Liability Adequacy Test: Pass	2019	2018
	$	$
Unearned premium	9,332,125	6,245,002
Related deferred acquisition costs	(558,795)	(437,201)
Net unearned premium	8,773,330	5,807,801
Premium liabilities (*)	(5,390,870)	(5,318,303)
Liability surplus	3,382,460	489,498

(*)including risk margin and claims management expenses

The Appointed Actuary calculated the Premium Liabilities as Unearned Premiums x Claims Ratio of the last five years x Risk Margin loading x Claims Management Expenses loading ($5,390,870 = $9,332,125 x 46% x 1.15 x 1.092).

The Appointed Actuary is not aware of any need to make any allowance for any projected Premium Adjustments or Unclosed Premiums or other commitments arising from the Branch's insurance contracts.

Liability adequacy testing is performed in order to recognise any deficiencies in the Statement of Comprehensive Income arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs and intangible assets not meeting the estimated future claims under current insurance contracts.

20 Reconciliation of profit after income tax to net cash inflows from operating activities

Operating activities	2019	2018
	$	$
Net profit/(loss) after tax	5,257,418	882,752
Add: Non-cash items		
Depreciation	7,331	6,690
Amortisation	-	12
Increase in trade and other receivables	(2,101,624)	(791,579)
Decrease in deferred acquisition cost	(136,392)	(46,565)
Increase in trade and other payables	385,006	467,628
(Decrease)/increase in outstanding claim provision	(5,268,296)	8,101,027
Increase in unearned premiums	3,493,710	1,730,569
Increase/(decrease) in income tax receivable	2,322,326	(2,132,528)
Increase/(decrease) in deferred tax liability	(12,589)	35,295
(Increase)/decrease in head office account	5,666,260	(3,277,008)
	9,613,150	4,976,293

Notes to the financial statements (continued)

21 Contingencies and commitments

The Branch had no capital commitments or contingencies as at balance date.

Operating lease commitments

	2019	2018
Non-cancellable operating lease commitments are payable as follows:	$	$
Less than one year	70,386	87,339
Between one and five years	3,567	78,549
More than five years	-	-
	73,953	165,888

Operating Lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income over the lease term as an integral part of the total lease expense.

The Branch leases the office premises and the lease agreement runs to 31 December 2019. The photocopier is also leased for a term of 60 months. The lease expires on 30 August 2021.

22 Related parties

Key management personnel

Remuneration of key management personnel during the year amounted to $332,532 (2018: $276,031).

Transactions and balances

The Head Office has charged the New Zealand branch for Treaty Reinsurance in the amount of $2,435,470 (2018: $1,728,600)

The Head Office has provided funding to support the New Zealand branch and as at 31 March 2019 the New Zealand branch owed the Head Office $23,843,109 (2018: $18,176,849).

Head office account:	2019	2018
	$	$
Opening balance	18,176,849	21,453,856
Funding provided in the current year	7,642,026	1,662,182
Reinsurance recovery	(1,975,766)	(4,939,189)
Closing balance	23,843,109	18,176,849

No related party debts have been written off or forgiven during the year.

23 Subsequent events

There have been no events subsequent to balance date which would materially affect the financial statements.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The New India Assurance Company Limited - New Zealand Branch

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The New India Assurance Company Limited - New Zealand Branch ('the Branch') on pages 3 to 24, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of the Branch. Our audit work has been undertaken so that we might state to the Shareholders of the Branch 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 Shareholders of the Branch as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, The New India Assurance Company Limited - New Zealand 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 of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters are selected from the matters communicated with the Directors, but are not intended to represent all matters that were discussed with them.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Insurance Contract Liabilities As disclosed in Note 15 of the Branch's financial statements the Branch has insurance contract liabilities of $5.91m. The Branch's insurance contract liabilities were significant to our audit due to the size of the liabilities and the subjectivity, complexity and uncertainty inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. Management has engaged an external actuarial expert to estimate the Branch's insurance contract liabilities as at 31 March 2019.	Our audit procedures among others included: ▪ Evaluating the design and operating effectiveness of the key controls over insurance contract origination, ongoing administration, integrity of data provided to Management's external actuarial expert used in the estimation process and management's review of the estimates; ▪ Evaluating the competence, capabilities, objectivity and expertise of Management's external actuarial expert and the appropriateness of the expert's work as audit evidence for the relevant assertions; ▪ Agreeing and testing the data provided to Management's external actuarial expert to the Branch's records; ▪ Engaging our own actuarial expert to assist in understanding and evaluating: o the work and findings of the Branch's external actuarial expert engaged by Management; o the Branch's actuarial methods and assumptions to assist us in challenging the appropriateness of actuarial methods and assumptions used by Management; ▪ Assessing the selection of methods and assumptions with a view to identifying Management bias; and ▪ Evaluating the related disclosures about insurance contract liabilities, and the risks attached to them which are included in Note 3, 4 and 15 in the Branch's financial statements.

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is N S de Frere.

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

26 July 2019