

# **RGA Reinsurance Company** **(New Zealand Branch)**

## **Annual Financial Report for the year ended 31 December 2014**

Registered Office & Principal Place of Business:

Quay Business Centre, Level 13  
Resimac House,  
45 Johnston Street,  
Wellington



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## Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2014

	Note	2014 \$'000	2013 \$'000
<b>Continuing operations</b>			
<b>Revenue</b>			
Service fee and other income		394	-
Investment income	4	26	82
<b>Total revenue</b>		<b>420</b>	<b>82</b>
<b>Expenses</b>			
Other Expenses		217	114
<b>Total expenses</b>		<b>217</b>	<b>114</b>
<b>Net profit (loss) before related income tax expense</b>		<b>203</b>	<b>(32)</b>
Income tax expense	6	-	-
<b>Net profit (loss) for the year from continuing operations after income tax expense</b>		<b>203</b>	<b>(32)</b>
<b>Discontinued operations</b>			
Net profit for the year from discontinued operations after income tax expense	13	-	3,320
<b>Net profit for the year</b>		<b>203</b>	<b>3,288</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>203</b>	<b>3,288</b>

Net profit for the year and total other comprehensive income for the year are attributable to the members of RGA Reinsurance Company (New Zealand Branch).

The statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

# Statement of Financial Position as at 31 December 2014

	Note	2014 \$'000	2013 \$'000
<b>Assets</b>			
Cash and cash equivalents	12(a)	664	3,519
Receivables	7	29	62
Investments	8(a)	-	1,035
<b>Total assets</b>		<b>693</b>	<b>4,616</b>
<b>Liabilities</b>			
Payables	9	85	143
Employee benefits	10	35	57
<b>Total liabilities</b>		<b>120</b>	<b>200</b>
<b>Net assets</b>		<b>573</b>	<b>4,416</b>
Head office account		41,900	45,946
Entities under common control reserve	11(c)	(76,646)	(76,646)
Retained profit		35,319	35,116
<b>Total deemed equity</b>		<b>573</b>	<b>4,416</b>

The Statement of Financial Position is to be read in conjunction with the accompanying notes.

## Statement of Changes in Equity for the year ended 31 December 2014

	Note	Head office account	Entities under common control reserve	Retained earnings	Total
		\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2013</b>		<b>169,802</b>	-	<b>31,828</b>	<b>201,630</b>
Profit for the year		-	-	3,288	<b>3,288</b>
Transfer in from head office		7,846	-	-	<b>7,846</b>
Increase in head office current account		(131,702)	-	-	<b>(131,702)</b>
Entities under common control reserve	11(c)	-	(76,646)	-	<b>(76,646)</b>
<b>Balance at 31 December 2013</b>		<b>45,946</b>	<b>(76,646)</b>	<b>35,116</b>	<b>4,416</b>
Profit for the year		-	-	203	<b>203</b>
Increase in head office current account		(4,046)			<b>(4,046)</b>
<b>Balance at 31 December 2014</b>		<b>41,900</b>	<b>(76,646)</b>	<b>35,319</b>	<b>573</b>

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

## Statement of Cash Flows for the year ended 31 December 2014

	Notes	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Interest received		40	30
Service fees received		369	-
Payments to/from suppliers and employees		(253)	234
Net cash inflow from discontinued operations		-	8,774
<b>Net cash flows from operating activities</b>	12(b)	<u>156</u>	<u>9,038</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		1,035	-
Net cash outflow on transfer between entities under common control	11(c)	-	(86,707)
Net cash inflow from discontinued operations		-	184,582
<b>Net cash flows from investing activities</b>		<u>1,035</u>	<u>97,875</u>
<b>Cash flows from financing activities</b>			
Transfer to head office		(4,046)	-
Net cash outflow from discontinued operations		-	(119,158)
<b>Net cash flows from financing activities</b>		<u>(4,046)</u>	<u>(119,158)</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,855)</b>	<b>(12,245)</b>
Cash and cash equivalents at the beginning of the financial period		3,519	15,764
<b>Cash and cash equivalents at the end of the financial year</b>	12(a)	<u><b>664</b></u>	<u><b>3,519</b></u>

The Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Signed for and on behalf of the board of RGA Reinsurance Company at St Louis, USA this 27<sup>th</sup> day of May 2015.



John Hayden, Director



TODD LARSON, DIRECTOR



# Notes to the Financial Statements

## 1. Nature of business activities

RGA Reinsurance Company – New Zealand Branch ("the Branch") was established on 29 November 1996. The Branch's principal business activity was life reinsurance.

In July 2013, the reinsurance treaties of the Branch, including the reinsurance assets and the reinsurance liabilities, were transferred to a related party, RGA Reinsurance Company of Australia Limited ("RGAA") Statutory Fund 2. Refer to Note 11(c).

Subsequent to this transfer, no insurance activities have been undertaken by the Branch. The insurance activities prior to July 2013 have been designated as a discontinued operation. The principal business activity of the Branch going forward is a service entity.

## 2. Summary of significant accounting policies

### Basis of preparation

The Branch is a branch of RGA Reinsurance Company, a company incorporated in the United States of America. The ultimate parent entity of RGA Reinsurance Company is Reinsurance Group of America Incorporated, a company incorporated in the United States of America "RGA RE".

The assets of the branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the accompanying Statement of Financial Position and its debts may result in claims against assets not appearing thereon.

The financial statements have been prepared in accordance with the New Zealand Financial Reporting Act 1993, the Companies Act 1993.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and other financial reporting standards as appropriate to profit-oriented entities that qualify for and apply differential reporting concessions.

The Branch is a qualifying entity under the Framework for Differential Reporting. The criteria that establish this are that the entity does not have public accountability and all of its owners are members of the entity's governing body. The Branch has elected to apply all available exemptions except those available under NZ IAS 7 Statement of Cash Flows.

The financial statements are presented in New Zealand Dollars (\$), which is the Branch's functional currency. All financial information presented in New Zealand Dollars has been rounded to the nearest thousand, except when otherwise indicated.

The financial statements were authorised for issue by the Directors at St Louis, USA on 27 May 2015.

The Financial Statements have been prepared on the historical cost basis modified to include the financial assets and financial liabilities at fair value.

In July 2013, all insurance treaties were transferred to a related entity. Therefore the Branch's insurance activities were determined to be discontinued from the date of transfer, and all insurance related transactions have been designated as discontinued for comparative purposes. No disclosure of the significant insurance related accounting policies have been provided in relation to the discontinued operations. Refer to Note 13.

### Adoption of new and revised accounting standards

At the date of authorisation of the financial report, the following Standards and Interpretations, relevant to the Branch, were in issue but not yet effective:

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

	Title	Operative Date
IFRS 9	Financial Instruments	1 January 2018

An initial assessment of the financial impact of this standard has been undertaken and it is not expected to have a material impact on the financial statements or accounting policies.

The significant policies that have been adopted in the preparation of the financial statements are:

#### (a) Revenue recognition

Revenue is recognised for the major business activities as follows:

Rendering of services

Revenue from the rendering of services is recognised upon delivery of the service to the customer.

Interest income

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Branch and the amount of revenue can be measured reliably.

#### (b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at bank and deposits held at call with financial institutions that are readily convertible to cash.

#### (c) Receivables

The collectability of receivables is assessed on an ongoing basis and specific provision is made for any doubtful debts.

#### (d) Employee benefits

Liabilities for employee benefits for wages and salaries (including non-monetary benefits), and annual leave and accumulated sick leave are recognised in 'Employee benefits' for employee services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

#### (e) Income tax

The Branch adopts the tax payable method of tax accounting. Income tax expense for the current period equals the income tax payable for the same period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or receivable).



## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (f) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In those circumstances, the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the tax authority is included as part of current asset or liability in the Statement of Financial Position.

### 3. Critical accounting estimates and judgements

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities as at the year end. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4. Investment income

Interest income:

Bank deposits

Investments at fair value through profit or loss

Gain on disposal of investments

Change in fair value of investment carried at fair value through profit or loss

**Total investment income**

<b>2014</b>	<b>2013</b>
<b>\$'000</b>	<b>\$'000</b>
24	56
-	30
2	-
-	(4)
<b>26</b>	<b>82</b>

### 5. Auditor's remuneration

Audit fees paid and payable

<b>2014</b>	<b>2013</b>
<b>\$'000</b>	<b>\$'000</b>
4	52

The Branch's auditor is Deloitte Touche Tohmatsu.

## Notes to the Financial Statements

### 6. Income Tax

The prima facie tax on net profit differs from the income tax provided in the accounts as follows:

	2014 \$'000	2013 \$'000
<b>Net profit before tax</b>	<b>203</b>	<b>3,288</b>
Prima facie tax on net profit at 28% (2013:28%)	57	921
Non assessable income	-	(386)
Utilisation of unused tax losses not recognised as deferred tax asset	(57)	(535)
<b>Total income tax expense attributable to net profit</b>	<b>-</b>	<b>-</b>

### 7. Receivables

	2014 \$'000	2013 \$'000
GST recoverable	-	48
Related entities	26	-
Lease rental bond	3	1
Investment income accrued and receivable	-	13
<b>Total receivables</b>	<b>29</b>	<b>62</b>

### 8. Fair Value Measurement

This note provides information about how the Branch determines fair values of various financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Branch takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1                      Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2                      Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3                      Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

# Notes to the Financial Statements

## 8. Fair Value Measurement (continued)

### (a) Fair value of the financial assets that are measured at fair value on a recurring basis

	Fair value hierarchy							
	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2013 \$'000	2013 \$'000	2013 \$'000	2013 \$'000
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Interest bearing securities:								
National government	-	-	-	-	1,035	-	1,035	-
<b>Total investments at fair value through profit and loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,035</b>	<b>-</b>	<b>1,035</b>	<b>-</b>
Made up as (based on maturity):								
Expected to be realised:								
– within 12 months	-	-	-	-	-	-	-	-
– more than 12 months	-	-	-	-	1,035	-	1,035	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,035</b>	<b>-</b>	<b>1,035</b>	<b>-</b>

There were no transfers between the different levels of fair value hierarchy during the year.

### (b) Fair value of the financial assets and financial liabilities that are not measured at fair value on a recurring basis but for which fair value disclosures are required

The Directors consider that the carrying amount of the following financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	2014 \$'000	2013 \$'000
	Level 3	Level 3
<b>Financial assets (measured at amortised cost)</b>		
Receivables:		
- Related entities	26	-
- Other receivables	3	62
<b>Total receivables</b>	<b>29</b>	<b>62</b>



## Notes to the Financial Statements

### 8. Fair Value Measurement (continued)

#### Financial liabilities (measured at amortised cost)

##### Payables:

- Withholding tax payable

- Other Payables

#### Total payables

2014 \$'000 Level 3	2013 \$'000 Level 3
16	37
69	106
<b>85</b>	<b>143</b>

There were no transfers between the different levels of fair value hierarchy during the year.

### 9. Payables

Withholding tax payable

Other Payables

#### Total other payables

2014 \$'000	2013 \$'000
16	37
69	106
<b>85</b>	<b>143</b>

The Branch generally processes trade payables within the agreed credit period of 30 to 90 days.

### 10. Employee Benefits

Annual leave provision

#### Total employee benefits

2014 \$'000	2013 \$'000
35	57
<b>35</b>	<b>57</b>

### 11. Related party transactions

#### (a) Ultimate parent entity

The entity is a branch of RGA Reinsurance Company (RGA Re), a company incorporated in the United States of America.

The ultimate parent entity in the RGA Group is Reinsurance Group of America Incorporated ("RGA Inc."), a company incorporated in the United States of America and listed on the New York Stock Exchange.



## Notes to the Financial Statements

### 11. Related party transactions (continued)

#### (b) Transactions with related parties

During the year, the Branch carried out the following transactions with related parties:

Following the transfer of insurance operations to RGAA, the Branch provides RGAA with administration services. The Branch received \$394,030 from RGAA for these services in 2014. As at 31 December 2014, there was an amount receivable from RGAA of \$25,587. The amount receivable was not subject to interest.

In 2013, RGA Australian Holdings Pty Ltd (RGAAH), another wholly owned subsidiary of RGA Inc, provided the Branch with administration and management services. The Branch incurred and paid \$3,406,079 for services in 2013. As at 31 December 2013, the amount payable to RGAAH was \$nil.

#### (c) Business combination with a related entity under common control

In July 2013, the reinsurance treaties of the Branch, including the reinsurance assets and the reinsurance liabilities, were transferred to RGA Reinsurance Company of Australia Limited ("RGAA"), Statutory Fund 2.

As RGAA is a subsidiary of the Company's ultimate parent entity, RGA Inc., the transfer is a business combination between entities under common control. The difference between cash paid on transfer and the amounts at which the reinsurance assets and reinsurance liabilities were recorded is recognised directly in equity in the 'entities under common control reserve'.

The information in the following table summarises the assets and liabilities recorded by the Branch on the transfer date:

	\$'000
Cash	(86,707)
Premium receivable	(11,848)
Claims notified	12,190
Allowances payable	5,233
Insurance contract liabilities	4,486
<b>Amount recognised in the 'Entities under common control reserve'</b>	<b>(76,646)</b>

# Notes to the Financial Statements

## 12. Notes to the Statement of Cash Flows

### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and deposits held at call with financial institutions readily convertible to known amounts of cash. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Cash at bank	664	3,519
<b>Total cash and cash equivalents</b>	<b>664</b>	<b>3,519</b>

### (b) Reconciliation of net profit after income tax to net cash from operating activities

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>Net profit</b>	<b>203</b>	<b>3,288</b>
Adjustments for non-cash and investing activities:		
Decrease in investment values	-	(13)
<b>Net cash flows from operating activities before change in assets and liabilities</b>	<b>203</b>	<b>3,275</b>
Change in assets and liabilities during the financial year:		
Decrease in receivables	33	-
Decrease in payables	(58)	(30)
Increase/(Decrease) in employee benefits	(22)	5
Net cash flows from discontinued operations	-	5,788
<b>Net cash flows from operating activities</b>	<b>156</b>	<b>9,038</b>

## Notes to the Financial Statements

### 13. Discontinued Operations

In July 2013, the reinsurance treaties of the Branch, including the reinsurance assets and the reinsurance liabilities, were transferred to RGAA (Statutory Fund 2).

	<b>2014 \$000</b>	<b>2013 \$000</b>
<b>Profit from discontinued operations</b>		
Revenue	-	34,215
Expenses	-	30,895
<b>Profit before tax</b>	-	<b>3,320</b>
Attributable income tax expense	-	-
<b>Profit for the year from discontinued operations (attributable to owners of the Company)</b>	-	<b>3,320</b>

### 14. Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Branch, the results of its operations or state of affairs of the Branch in subsequent financial years.



## Independent Auditor's Report to the Shareholders of RGA Reinsurance Company – New Zealand Branch

### **Report on the Financial Statements**

We have audited the accompanying financial statements of RGA Reinsurance Company – New Zealand Branch, which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information of RGA Reinsurance Company – New Zealand Branch during the financial year as set out on pages 2 to 15.

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'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 of RGA Reinsurance Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with generally accepted accounting practice in New Zealand and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibilities*

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 and Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Our firm carries out other assurance engagements for RGA Reinsurance Company. In addition to this, partners and employees of our firm deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These services and trading activities have not impaired our independence as auditor of the Branch. The firm has no other relationship with or interests in RGA Reinsurance Company or its subsidiaries.

## *Opinion*

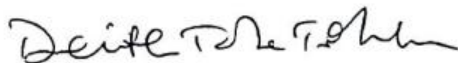
In our opinion, the financial statements of RGA Reinsurance Company – New Zealand Branch:

- give a true and fair view of RGA Reinsurance Company – New Zealand Branch's financial position as at 31 December 2014 and of its financial performance and cash flows for the year ended on that date; and
- comply with generally accepted accounting practice in New Zealand.

## **Report on Other Legal and Regulatory Requirements**

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2014:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by RGA Reinsurance Company – New Zealand Branch, as far as appears from our examination of those records.



Chartered Accountants  
27 May 2015  
Melbourne, Australia