nib nz limited

Financial Statements
30 June 2020

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Statement of Comprehensive Income

For the year ended 30 June 2020

nib nz limited

	Notes	2020 $000	2019 $000
Premium revenue	5	253,510	229,783
Outwards reinsurance premium expense	5	(448)	(155)
Net premium revenue		**253,062**	**229,628**
Claims expense		(153,072)	(138,340)
Increase in premium payback liability		(1,297)	(272)
Claims handling expenses	6	(2,597)	(1,762)
Net claims incurred		**(156,966)**	**(140,374)**
Acquisition costs	6	(42,744)	(40,031)
Other underwriting expenses	6	(28,438)	(26,922)
Underwriting expenses		**(71,182)**	**(66,953)**
Underwriting result		**24,914**	**22,301**
Other income	5	1,088	316
Amortisation of intangible assets	6	(4,317)	(4,178)
Operating profit		**21,685**	**18,439**
Finance costs	6	(554)	-
Investment income	5	3,554	4,110
Investment expenses	6	(119)	(123)
Profit before income tax		**24,566**	**22,426**
Income tax expense	7	(6,975)	(6,290)
Profit for the year		**17,591**	**16,136**
Total Comprehensive Income for the year attributable to:			
Owners of nib nz limited		17,591	16,136
		17,591	**16,136**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

Statement of Financial Position

As at 30 June 2020

nib nz limited

	Notes	2020 $000	2019 $000
ASSETS			
Current assets			
Cash and cash equivalents	8	29,233	16,382
Receivables	9	3,446	3,671
Financial assets at fair value through profit or loss	10	99,153	91,716
Deferred acquisition costs	11	20,806	19,367
Total current assets		**152,638**	**131,136**
Non-current assets			
Deferred acquisition costs	11	10,522	10,706
Property, plant and equipment	12	1,989	1,384
Intangible assets	13	33,533	34,989
Right-of-use assets	14	9,396	-
Total non-current assets		**55,440**	**47,079**
Total assets		**208,078**	**178,215**
LIABILITIES			
Current liabilities			
Payables	15	11,647	9,179
Claims liabilities	16	26,704	16,326
Unearned premium liability	17	21,588	20,443
Premium payback liability	18	3,698	3,298
Lease liabilities	14	1,080	-
Current tax liabilities		5,915	2,660
Total current liabilities		**70,632**	**51,906**
Non-current liabilities			
Claims liabilities	16	159	153
Unearned premium liability	17	1,047	564
Premium payback liability	18	17,745	16,848
Lease liabilities	14	10,698	-
Deferred tax liabilities	7	3,940	7,434
Total non-current liabilities		**33,589**	**24,999**
Total liabilities		**104,221**	**76,905**
Net assets		**103,857**	**101,310**
EQUITY			
Contributed equity	19	51,200	51,200
Retained profits		52,657	50,110
Total equity		**103,857**	**101,310**

The above Statement of Financial Position should be read in conjunction with the accompanying notes

Statement of Changes in Equity

For the year ended 30 June 2020
nib nz limited

	Notes	Contributed Equity $000	Retained Profits $000	Total Equity $000
Balance at 1 July 2018		**51,200**	**49,174**	**100,374**
Profit for the year		-	16,136	16,136
Total comprehensive income for the year		**-**	**16,136**	**16,136**
Transactions with owners in their capacity as owners:				
Dividends paid	19	-	(15,200)	(15,200)
		-	**(15,200)**	**(15,200)**
Balance at 30 June 2019 as originally presented		**51,200**	**50,110**	**101,310**
Adjustment on adoption of NZ IFRS 16, net of tax	14	**-**	**(1,544)**	**(1,544)**
Restated balance as at 1 July 2019		**51,200**	**48,566**	**99,766**
Profit for the year		-	17,591	17,591
Total Comprehensive Income for the year		**-**	**17,591**	**17,591**
Transactions with owners in their capacity as owners:				
Dividends paid	19	-	(13,500)	(13,500)
		-	**(13,500)**	**(13,500)**
Balance at 30 June 2020		**51,200**	**52,657**	**103,857**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Statement of Cash Flows
For the year ended 30 June 2020
nib nz limited

	Notes	2020 $000	2019 $000
Cash flows from operating activities			
Receipts from policyholders and customers		294,918	266,019
Payments to policyholders and customers		(164,620)	(158,116)
Payments to suppliers and employees		(88,250)	(83,152)
Interest received		2,841	3,498
Income taxes paid		(6,611)	(6,107)
Net cash inflow from operating activities	8	**38,278**	**22,142**
Cash flows from investing activities			
Proceeds from disposal of other financial assets at fair value through profit or loss		116,188	131,805
Payments for other financial assets at fair value through profit or loss		(122,905)	(130,309)
Proceeds from sale of property, plant and equipment and intangibles		29	14
Payments for property, plant and equipment and intangibles	12,13	(4,208)	(3,360)
Net cash (outflow) from investing activities		**(10,896)**	**(1,850)**
Cash flows from financing activities			
Principal elements of lease payments		(1,031)	-
Dividends paid to the Company's shareholders		(13,500)	(15,200)
Net cash (outflow) from financing activities		**(14,531)**	**(15,200)**
Net increase in cash and cash equivalents		12,851	5,092
Cash and cash equivalents at the beginning of the year		16,382	11,290
Cash and cash equivalents at the end of the year		**29,233**	**16,382**
Reconciliation to Balance Sheet			
Cash and cash equivalents	8	29,233	16,382
		29,233	**16,382**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

nib nz limited (the Company) is a for profit company incorporated in New Zealand under the *Companies Act 1993* and is a Financial Markets Conduct (FMC) reporting entity under part 7 of the Financial Markets Conduct Act 2013. The registered office of the Company is:

Level 10, 48 Shortland Street
Auckland Central
Auckland 1010
New Zealand

The principal activity of the Company is providing health insurance.

The financial statements were authorised for issue by the Board of Directors on 14 August 2020.

(b) Basis of preparation

The Company has adopted External Reporting Board Standard A1 "Application of the Accounting Standards Framework" (XRB A1). The Company applies Tier 1 as it is deemed to have public accountability as a result of being an insurance company.

The financial statements of the Company have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for profit entities that apply NZ IFRS. They also comply with International Financial Reporting Standards (IFRS). They have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the notes to the financial statements.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss. They are presented in New Zealand dollars, which is the Company's functional and presentation currency, and are rounded to the nearest thousand dollars.

The financial statements for the year ended 30 June 2020 are audited by our independent auditor.

(c) Accounting policies

Accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. Other relevant policies are provided as follows:

i) GST

All revenues, expenses and certain assets are recognised net of goods and services taxes (GST) except where the GST is not recoverable. In these circumstances the GST is included in the related asset or expense. Receivables and payables are reported inclusive of GST. The net GST payable to, or recoverable from, the tax authorities as at balance date is included as a receivable or payable in the Statement of Financial Position.

Cash flows are presented on a gross basis. The amount of GST paid and received is included in the Statement of Cash Flows, classified as receipts from policyholders, suppliers and employees and payments to policyholders, suppliers and employees lines.

ii) Foreign exchange

In preparing the accounts of the Company, transactions denominated in foreign currencies are translated into the reporting currency using the exchange rates in effect at the transaction dates. Monetary items receivable or payable in a foreign currency are translated at reporting date at the closing exchange rate.

Translation differences on non-monetary items are reported as part of their fair value gain or loss. Exchange differences arising on the settlement or retranslation of monetary items at year end exchange rates are recognised in the Statement of Comprehensive Income.

iii) Comparatives

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

(d) New and amended standards adopted by the Company

The Company has adopted all of the new or amended accounting standards and interpretations issued by the External Reporting Board (XRB) that are mandatory for the current reporting year.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

i) NZ IFRS 16 Leases

The Company has adopted NZ IFRS 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

The impact on the consolidated financial performance and position of the Company from the adoption of NZ IFRS 16 is detailed in note 14.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(e) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published but are not yet effective and have not been adopted early by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Title of Standard	Nature of change and impact	Mandatory application date
NZ IFRS 17 Insurance Contracts	NZ IFRS 17 Insurance Contracts will replace NZ IFRS 4 Insurance Contracts, and expected to change the accounting for insurance contracts by the Company. The standard introduces three new measurement approaches for accounting for insurance contracts. These include the Building Block Approach for long term contracts, the Premium Allocation Approach for short term contracts and a Variable Fee Approach for direct participating products. The nib Group, being the Ultimate Parent nib holdings limited and its subsidiaries, has formed a project team to assess the impact of this change on the operations and financial statements of the business. Initial investigation into the application for the standard indicates it is likely that the Simplified Premium Allocation Approach will apply to the majority of the Group's insurance contracts.	Mandatory for financial years commencing on or after 1 January 2023. The Company does not intend to adopt the standard before its effective date.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The COVID-19 pandemic has impacted the Company's assessment of these assumptions and forward looking estimates, and management have accordingly adjusted them to reflect the change in risk. The Provision for deferred and suspended claims included within Claims liabilities is a new liability for this financial year as a result of COVID-19. Specifics of the impact on estimates are detailed in each note.

The key areas in which critical estimates are applied are:

Note 11	Deferred acquisition costs
Note 13	Goodwill impairment
Note 16	Claims liabilities - Outstanding claims liability and Provision for deferred and suspended claims
Notes 17 and 18	Liability adequacy test
Note 18	Premium payback liability

3. RISK MANAGEMENT

The financial condition and operation of the Company are affected by a number of key risks including:

Insurance risk	Insurance risk
Financial risks	Interest rate risk (market risk) Credit risk Liquidity risk Capital management (see Note 20)
Non-financial risks	Operational risk including conduct and culture Strategic risk

The Company's Board of Directors determines the Company's overall risk appetite and approves the risk management strategies, policies and practices to ensure that risks are identified and managed within the context of this appetite.

The Board has delegated to the Board Audit, Risk & Compliance Committee the responsibility to review the system of risk management, including:

- the effectiveness of the Company's risk management framework having regard to the Company's risk management culture;
- the identification and assessment of the material risks facing the Company considered against the Company's risk appetite;
- the appropriate level of reporting on the performance and application of the risk management system throughout the Company; and
- reviews of customer complaints, having regard to the nature and reason for the complaints.

The Company's objective is to satisfactorily manage the Company's risks in line with the Board-approved Risk Management Strategy. Various procedures are in place to identify, mitigate and monitor the risks faced by the Company. Management are responsible for understanding and managing risks, including insurance and non-financial risks. The Company's exposure to all high and critical risks, and other Key Enterprise Risks, is reported quarterly to the Board Audit, Risk & Compliance Committee.

The Company's Risk Management Strategy is based on a three lines of defence model. The three lines of defence model provides defined risk ownership responsibilities with functionally independent oversight and assurance.

The impact of the COVID-19 pandemic on the New Zealand economy has resulted in increased insurance and financial risk to the Group. This heightened level of uncertainty and risk is managed as part of the Group's Risk Management Framework.

(a) Insurance risk

Description	Exposure	Mitigation
Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss from claims expenditure exceeding the amount implicit in premium income.	The Company's insurance policies provide cover for expenses incurred in the private health sector. The extent of cover is dependent on the individual policy terms and conditions and the schedule of benefits. Several risks are not insured by the Company's policies, including (but not limited to) infectious diseases, accidents (which are generally covered by the Accident Compensation Corporation) and life cover. Certain legacy policies also have premium payback benefits that allow for the return of premiums after claim payments.	The methods used to manage risks arising from insurance contracts include: • adequate controls and guidelines covering insurance processes; • ongoing monitoring of the insurance market and identification of trends; • ensuring robust claims handling processes and controls which are well documented; • ongoing review of pricing models and retention levels; • clearly defined underwriting processes and ongoing development of those involved in the underwriting process; and • robust new product development processes and controls to ensure that appropriate research and analysis has been done which ensure the anticipated claims liabilities are well understood.

3. RISK MANAGEMENT continued

(a) Insurance risk continued

In addition to the risk management policies and procedures adopted to manage insurance risk, the provision of insurance is governed by the *Insurance (Prudential Supervision) Act 2010* which requires an insurer to be licenced and requires a licenced insurer to:

- maintain and disclose a financial strength rating;
- maintain a fit and proper policy, which apply to Directors and other relevant officers;
- maintain a risk management programme;
- have an appointed actuary and ensure the actuarial information contained in or used in the preparation of financial statements is reviewed by the appointed actuary; and
- maintain a solvency margin over the minimum solvency capital required under the solvency standard for non-life business issued by the Reserve Bank of New Zealand.

(b) Financial risks

i) Interest rate risk

Description	Exposure	Mitigation
Interest rate risk is the risk that fluctuations in interest rates impact the Company's financial performance or the fair value of its financial instruments.	The Company's main interest rate risk arises from financial assets at fair value through profit or loss, premium payback liability (refer Note 18) and cash and cash equivalents.	The Company has adopted an investment strategy that delivers a diversified portfolio of defensive assets. Defensive assets consist of New Zealand dollar denominated New Zealand overseas fixed interest investments and cash and cash equivalents. The Company receives advice from its asset management consultant, Nikko Asset Management New Zealand Limited.

The Company's sensitivity to interest rate risk has increased with the COVID-19 associated economic impact. The Company has shown the impact of a change in 100 bps to reflect this increased risk.

The table below summarises the sensitivity of the Company's financial assets and financial liabilities to interest rate risk:

	2020					2019				
Interest Rate Risk		-100bps		+100bps			-100bps		+100bps	
	Carrying amount	Profit	Equity	Profit	Equity	Carrying amount	Profit	Equity	Profit	Equity
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Financial assets										
Cash and cash equivalents	29,233	(210)	(210)	210	210	16,382	(118)	(118)	118	118
Financial assets at fair value through profit or loss	99,153	1,001	1,001	(1,141)	(1,141)	91,716	1,001	1,001	(960)	(960)
Total increase / (decrease)		**791**	**791**	**(931)**	**(931)**		**883**	**883**	**(842)**	**(842)**

3. RISK MANAGEMENT continued

(b) Financial risks continued

ii) Credit risk

Description	Exposure	Mitigation
Credit risk is the risk that a counterparty will default on its contractual obligations, or from the decline in the credit quality of a financial instrument, resulting in financial loss to the Company.	The Company's exposure to credit risk arises from cash and cash equivalents, financial assets and deposits with banks and financial institutions, as well as credit exposure to policyholders or other counterparties.	For banks and financial institutions, the minimum credit rating accepted by the Company is 'AA-'. For policyholders with no external ratings, internally developed minimum credit quality requirements are applied, which take into account financial position, past experience and other relevant factors. Overall exposure to credit risk is monitored on a nib nz holdings limited Group basis in accordance with limits set by the Group’s Board. The allowance for credit losses and impairment in relation to premium and other receivables is provided for based on a lifetime expected credit loss allowance.

The Company’s credit risk assessments and loss allowances have been updated for the increased risk of default as a result of the COVID-19 pandemic.

The Company’s maximum exposure to credit risk without taking account of any collateral or any other credit enhancements, is as follows:

	2020 $000	2019 $000
Cash and cash equivalents	29,233	16,382
Premium receivables	2,673	2,833
Other receivables	213	336
Interest-bearing securities	99,153	91,716
Total credit risk	**131,272**	**111,267**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate.

Premium and other receivables	2020 $000	2019 $000
Counterparties without external credit rating		
Group 1 - new debtors (relationship less than 6 months)	-	-
Group 2 - existing debtors with no defaults in the past	2,673	3,043
Group 3 - existing debtors with some defaults in the past	213	126
Total premium and other receivables	**2,886**	**3,169**
Cash at bank and short-term bank deposits		
AA-	29,233	16,382
Total cash at bank and short-term bank deposits	**29,233**	**16,382**
Financial assets at fair value through profit or loss		
Interest-bearing securities		
AA-	66,198	63,436
AA	12,823	14,260
AA+	11,643	7,081
AAA	8,489	6,939
Total financial assets at fair value through profit or loss	**99,153**	**91,716**

3. RISK MANAGEMENT continued

(b) Financial risks continued

iii) Liquidity risk

Description	Exposure	Mitigation
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due, because of lack of liquid assets or access to funding on acceptable terms.	The tables below show the Company's financial liabilities by relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows.	Prudent liquidity risk management requires maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and holds a high percentage of highly liquid investments.

As at 30 June 2020	≤ 1 month $000	1-3 months $000	3-12 months $000	1-5 years $000	> 5 years $000	Total Contractual Cash flows $000	Carrying amount $000
Financial Liabilities							
Trade payables	989	-	-	-	-	989	989
Other payables	5,627	1,360	-	-	-	6,987	6,987
Intercompany payables	2,421	-	-	-	-	2,421	2,421
Lease liabilities	91	273	740	4,735	10,063	15,902	11,778
	9,128	**1,633**	**740**	**4,735**	**10,063**	**26,299**	**22,175**

As at 30 June 2019	≤ 1 month $000	1-3 months $000	3-12 months $000	1-5 years $000	> 5 years $000	Total Contractual Cash flows $000	Carrying amount $000
Financial Liabilities							
Trade payables	958	-	-	-	-	958	958
Other payables	4,265	1,472	87	29	-	5,853	5,853
Intercompany payables	1,501	-	-	-	-	1,501	1,501
	6,724	**1,472**	**87**	**29**	**-**	**8,312**	**8,312**

4. FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

NZ IFRS 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3	Inputs for the asset or liability that are not based on observable market data

The following tables present the Company's assets measured and recognised at fair value:

	Level 1	Level 2	Total
As at 30 June 2020	$000	$000	$000
Assets			
Financial assets at fair value through profit or loss			
Interest-bearing securities	70,882	28,271	99,153
Total assets	**70,882**	**28,271**	**99,153**

	Level 1	Level 2	Total
As at 30 June 2019	$000	$000	$000
Assets			
Financial assets at fair value through profit or loss			
Interest-bearing securities	61,605	30,111	91,716
Total assets	**61,605**	**30,111**	**91,716**

There were no transfers between Level 1 and Level 2 during the year ended 30 June 2020 or the year ended 30 June 2019.

There is no offsetting between financial assets and financial liabilities.

The fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of Level 2 bonds and securities is based on prices supplied by Thomson Reuters, an independent specialist international valuer of financial securities. Thomson Reuters uses a pricing methodology based on market data supplied by institutions such as banks and brokers that are significant traders in the bonds, securities and swaps markets. This measurement basis falls within Level 2 of the fair value hierarchy as all significant inputs used to calculate the fair value are based on observable market data.

The carrying value less impairment provision of other receivables and payables are assumed to approximate to their fair value due to their short-term nature. The carrying value of cash and cash equivalents are assumed to approximate to their fair value due to their short-term nature.

5. REVENUE AND OTHER INCOME

	2020 $000	2019 $000
Net premium revenue		
Premium revenue	253,510	229,783
Outwards reinsurance premium expense	(448)	(155)
Total net premium revenue	**253,062**	**229,628**
Other income		
Net gain (loss) on disposal of property, plant and equipment	10	(42)
Management fees income	1,185	322
Foreign exchange gain (loss)	(107)	36
Total other income	**1,088**	**316**
Investment income		
Interest income	2,833	3,477
Net realised gain (loss) on financial assets at fair value through profit or loss	397	(101)
Net unrealised gain (loss) on financial assets at fair value through profit or loss	324	734
Total investment income	**3,554**	**4,110**

(a) Accounting Policy

Revenue is measured at the fair value of the consideration received or receivable.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities. The Company bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

i) Premium revenue

Premium revenue comprises premiums from private health insurance contracts held by policyholders.

Premium revenue is recognised when it has been earned. Premium revenue is recognised from the attachment date over the period of the contract. The attachment date is from when the insurer accepts the risk from the insured under the insurance contract. Revenue is recognised in accordance with the pattern of the incidence of risk expected over the term of the contract.

The proportion of the premium received or receivable not earned in the Statement of Comprehensive Income at the reporting date is recognised in the Statement of Financial Position as an unearned premium liability (refer Note 17).

ii) Investment income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Net realised/unrealised value gains or losses on financial assets at fair value through profit or loss are recognised through the Statement of Comprehensive Income in the period in which they arise.

6. EXPENSES

	Notes	2020 $000	2019 $000
Expenses by function			
Claims handling expenses		2,597	1,762
Marketing and other acquisition costs		42,744	40,031
Other underw riting expenses		28,438	26,922
Amortisation of intangible assets		4,317	4,178
Finance costs		554	-
Investment expenses		119	123
Total expenses (excluding direct claims expenses)		**78,769**	**73,016**
Expenses by nature			
Depreciation and amortisation		5,040	4,878
Depreciation of right-of-use assets	14	713	-
Employee costs		18,772	17,771
Finance costs - interest on lease liabilities	14	554	-
Investment expenses		119	123
Information technology expenses		2,023	2,031
Management fee		7,142	5,046
Marketing expenses - excluding commissions		5,475	6,515
Marketing expenses - commissions		33,771	30,802
Operating lease rental expenses		-	1,039
Professional fees		2,744	2,301
Other		2,416	2,510
Total expenses (excluding direct claims expenses)		**78,769**	**73,016**

7. TAXATION

(a) Income tax

		2020 $000	2019 $000
i) Income tax expense			
Recognised in the Statement of Comprehensive Income			
Current tax expense		9,868	6,431
Deferred tax expense		(2,893)	(141)
		6,975	**6,290**
Deferred income tax expense included in income tax expense comprises:			
(Increase) in deferred tax assets	7(c)	(3,317)	(46)
(Decrease) / increase in deferred tax liabilities	7(d)	424	(95)
		(2,893)	**(141)**
ii) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax expense		**24,566**	**22,426**
Tax at the New Zealand tax rate of 28% (2019: 28%)		6,878	6,279
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Other non-deductible expenses		97	11
Income tax expense		**6,975**	**6,290**

(b) Imputation credits

	2020	2019
Imputation credits available for use in subsequent reporting periods	30,238	21,299

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

- imputation credits that will arise from the payment of the amount of the provision for income tax; and
- imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date.

These amounts include imputation credits that are available to the Company.

7. TAXATION continued

(c) Deferred tax assets

	Notes	2020 $000	2019 $000
The balance comprises temporary differences attributable to:			
Premium payback liabilities	17	5,559	5,195
Doubtful debts		204	194
Employee benefits		610	595
Lease liabilities		3,298	-
Provision for deferred and suspended claims	16(b)	2,517	-
Total deferred tax assets		**12,188**	**5,984**
Recovery of total deferred tax assets:			
Deferred tax assets to be recovered within 12 months		3,040	712
Deferred tax assets to be recovered after more than 12 months		9,148	5,272
		12,188	**5,984**

Movements	Premium payback liabilites $000	Doubtful debts $000	Employee benefits $000	Lease liabilities $000	Provision for deferred and suspended claims $000	Total $000
At 1 July 2018	5,119	241	578	-	-	5,938
(Charged) credited to the Consolidated Statement of Comprehensive Income	76	(47)	17	-	-	46
Balance at 30 June 2019 as originally presented	**5,195**	**194**	**595**	**-**	**-**	**5,984**
Adjustment on adoption of NZIFRS 16	-	-	-	2,887	-	2,887
Restated balance at 1 July 2019	**5,195**	**194**	**595**	**2,887**	**-**	**8,871**
(Charged) credited to the Consolidated Statement of Comprehensive Income	364	10	15	411	2,517	3,317
At 30 June 2020	**5,559**	**204**	**610**	**3,298**	**2,517**	**12,188**

(d) Deferred tax liabilities

	2020 $000	2019 $000
The balance comprises temporary differences attributable to:		
Customer contracts	3,772	4,134
Deferred acquisition costs	8,771	8,420
Depreciation and amortisation	954	864
Right-of-use assets	2,631	-
Total deferred tax liabilities	**16,128**	**13,418**
Recovery of total deferred tax liabilities:		
Deferred tax liabilities to be settled within 12 months	1,329	3,517
Deferred tax liabilities to be settled after more than 12 months	14,799	9,901
	16,128	**13,418**

7. TAXATION continued

(d) Deferred tax liabilities continued

Movements	Customer contracts $000	Deferred acquisition costs $000	Depreciation and amortisation $000	Right-of-use assets $000	Total $000
At 1 July 2018	4,496	8,310	707	-	13,513
Charged (credited) to the Statement of Comprehensive Income	(362)	110	157	-	(95)
Balance at 30 June 2019 as originally presented	**4,134**	**8,420**	**864**	**-**	**13,418**
Adjustment on adoption of NZIFRS 16	-	-	-	2,286	2,286
Restated balance at 1 July 2019	**4,134**	**8,420**	**864**	**2,286**	**15,704**
Charged (credited) to the Statement of Comprehensive Income	(362)	351	90	345	424
At 30 June 2020	**3,772**	**8,771**	**954**	**2,631**	**16,128**

(e) Accounting Policy

i) Income tax expense

The income tax expense is the tax payable on taxable income for the reporting period, based on the income tax rate and adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

ii) Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

iii) Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base of those items.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled, based on the tax rates enacted. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

8. CASH AND CASH EQUIVALENTS

	2020 $000	2019 $000
Cash at bank and cash on hand	27,704	10,889
Short term deposits and deposits at call	1,529	5,493
	29,233	**16,382**

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	2020 $000	2019 $000
Profit for the year	17,591	16,136
Net (gain)/loss on disposal of property, plant and equipment	(10)	42
Fair value (gain) on other financial assets through profit or loss	(721)	(633)
Depreciation and amortisation	5,041	4,878
Depreciation of right-of-use assets and interest on leases	1,267	-
Change in operating assets and liabilities		
Decrease (increase) in receivables	225	(915)
(Increase) in deferred acquisition costs	(1,255)	(395)
(Decrease) in deferred tax liabilities	(2,893)	(141)
Increase in current tax liabilities	3,256	324
Increase in trade payables	3,863	826
Increase in insurance liabilities	11,914	2,020
Net cash flow from operating activities	**38,278**	**22,142**

(b) Accounting Policy

Cash and cash equivalents, and bank overdrafts are carried at face value of the amounts deposited or drawn. For the purpose of the presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

9. RECEIVABLES

	2020 $000	2019 $000
Current		
Premium receivable	3,402	3,525
Other receivables	213	336
Provision for loss allowance	(729)	(692)
Prepayments	560	502
	3,446	**3,671**

The loss allowance as at 30 June 2020 and 30 June 2019 was determined for premium receivables and other receivables as follows:

Group at 30 June 2020		Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	%	11%	12%	34%	93%	
Gross carrying amount - premium receivables	$000	2,013	722	392	275	3,402
Gross carrying amount - other receivables	$000	170	17	8	18	213
Loss allowance	$000	**231**	**86**	**136**	**276**	**729**

Group at 30 June 2019		Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	%	7%	14%	33%	91%	
Gross carrying amount - premium receivables	$000	2,274	569	401	281	3,525
Gross carrying amount - other receivables	$000	265	20	10	41	336
Loss allowance	$000	**183**	**83**	**134**	**292**	**692**

The closing loss allowances for premium receivables and other receivables as at 30 June 2020 and 30 June 2019 reconcile to the opening loss allowances as follows:

	Premium receivables $000	Other receivables $000	Total $000
Opening loss allowance as at 1 July 2018	**789**	**71**	**860**
Increase / (decrease) in loss allowance recognised in profit or loss during the year	(139)	-	(139)
Receivables written off during the year as uncollectible	-	(29)	(29)
Unearned provision write-back	-	-	-
At 30 June 2019	**650**	**42**	**692**
Increase / (decrease) in loss allowance recognised in profit or loss during the year	57	2	**59**
Receivables written off during the year as uncollectible	-	(22)	**(22)**
At 30 June 2020	**707**	**22**	**729**

As of 30 June 2020 and 30 June 2019 no receivables were past due but no impaired.

9. RECEIVABLES continued

(a) Accounting Policy

i) Premium receivables	Amounts due from policyholders are initially recognised at fair value, being the amounts due. They are subsequently measured at amortised cost which is approximated by taking this initially recognised amount and reducing it for an allowance for expected credit losses. The Company has elected to apply the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, premium receivables have been grouped based on payment frequency, days overdue, and considered a number of factors including cancellation rates and concentration risks. The amount of expected credit losses is recognised in the Statement of Comprehensive Income.
ii) Other receivables	Other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Other receivables are generally due for settlement within 30 days. The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, other receivables have been grouped based on days overdue. The amount of expected credit losses is recognised in the Statement of Comprehensive Income.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 $000	2019 $000
Interest-bearing securities	99,153	91,716
	99,153	**91,716**

Changes in fair values of financial assets at fair value through profit or loss are recorded as investment income in the Statement of Comprehensive Income.

(a) Accounting Policy

i) Classification

The Company classifies its financial assets into the following measurement categories:

- those to be measured at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the relevant cash flows. The Company has determined that all financial assets are classified as fair value through profit or loss as they are held to back insurance liabilities. These assets are managed in accordance with agreed investment mandate agreements on a fair value basis and are reported to the Board on this basis.

ii) Recognition and derecognition

A financial asset is recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument, which is generally at trade date.

A financial asset is derecognised when the contractual cash flows from the asset expire or the rights to receive contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of the ownership are transferred. Any interest in a transferred financial asset that is created or retained by the Company is recognised as a separate asset or liability.

iii) Measurement

Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

Subsequent to the initial recognition, for financial assets measured at fair value through profit or loss, gains and losses are recorded in profit or loss.

11. DEFERRED ACQUISITION COSTS

	2020 $000	2019 $000
Current		
Deferred acquisition costs	5,268	5,284
Deferred unearned commissions	15,538	14,083
	20,806	**19,367**
Non-current		
Deferred acquisition costs	10,522	10,706
	10,522	**10,706**

Movements in deferred acquisition costs are as follows:

	2020 $000	2019 $000
Balance at the beginning of the period	30,073	29,678
Acquisition costs deferred during the period	20,258	17,143
Amortisation expense	(19,003)	(16,748)
	31,328	**30,073**

(a) Accounting Policy

Direct acquisition costs incurred in obtaining health insurance contracts, including broker commissions, are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the Statement of Comprehensive Income in subsequent reporting periods. This pattern of amortisation is in accordance with the pattern of risk.

The Company does not capitalise the indirect administration costs associated with acquiring new members due to the difficulty in identifying and associating those indirect costs with acquiring particular insurance contracts.

(b) Critical accounting judgements and estimates: Deferred acquisition costs

In accordance with NZ IFRS 4 ‘Insurance Contracts’, acquisition costs which lead to future benefits are recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the Statement of Comprehensive Income in subsequent reporting periods. These deferred acquisition costs are amortised systematically in accordance with the pattern of the incidence of risk under the related insurance contract.

The Company incurs upfront commission costs that will give rise to future premium revenue and are able to be directly associated with a particular insurance contract. These costs are deferred and amortised over the life of the insurance contract. The Company does not capitalise the indirect administration costs associated with acquiring new members due to the difficulty in identifying and associating those indirect costs with acquiring particular insurance contracts.

There are two key assumptions required to recognise the acquisition costs over the life of the insurance contract:

- the period of the insurance contract is assumed to be the average length of insurance for nib nz limited policyholders who are the subject of an upfront commission; and
- the average length of insurance for nib nz limited policyholders who are the subject of an upfront commission is calculated by extrapolating historical lapse rates for that group of policyholders.

The recoverability of the related deferred acquisition costs is also considered through an assessment of the net present value of the future estimated cash flows for policies that are subject to commission, and as part of the liability adequacy test performed. As described in Note 17, the Company has no deficiency in the unearned premium liability at 30 June 2020 and 2019.

12. PROPERTY, PLANT & EQUIPMENT

	Plant & Equipment $000	Leasehold Improvements $000	Total $000
At 1 July 2018			
Cost	4,826	1,459	**6,285**
Accumulated depreciation	(3,992)	(875)	**(4,867)**
Net book amount	**834**	**584**	**1,418**
Year ended 30 June 2019			
Opening net book amount	834	584	**1,418**
Additions	671	-	**671**
Disposals	(5)	-	**(5)**
Depreciation charge for the year	(458)	(242)	**(700)**
Closing net book amount	**1,042**	**342**	**1,384**
At 30 June 2019			
Cost	5,252	1,459	**6,711**
Accumulated depreciation	(4,210)	(1,117)	**(5,327)**
Net book amount	**1,042**	**342**	**1,384**
Year ended 30 June 2020			
Opening net book amount	1,042	342	**1,384**
Additions	1,299	48	**1,347**
Disposals	(19)	-	**(19)**
Depreciation charge for the year	(475)	(248)	**(723)**
Closing net book amount	**1,847**	**142**	**1,989**
At 30 June 2020			
Cost	6,503	1,507	**8,010**
Accumulated depreciation	(4,656)	(1,365)	**(6,021)**
Net book amount	**1,847**	**142**	**1,989**

(a) Accounting Policy

Items of property, plant and equipment are initially recorded at cost including transaction costs. Items are then subsequently measured at cost less any subsequent accumulated depreciation.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment	3 to 5 years
Leasehold improvements	3 to 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are included in the Statement of Comprehensive Income.

13. INTANGIBLE ASSETS

	Goodwill	Software	Customer Contracts	Total
	$000	$000	$000	$000
At 1 July 2018				
Cost	11,959	14,744	19,400	**46,103**
Accumulated amortisation	-	(6,234)	(3,340)	**(9,574)**
Net book amount	**11,959**	**8,510**	**16,060**	**36,529**
Year ended 30 June 2019				
Opening net book amount	11,959	8,510	16,060	**36,529**
Additions (internally developed)	-	2,113	-	**2,113**
Additions (externally acquired)	-	576	-	**576**
Disposals	-	(51)	-	**(51)**
Amortisation charge for the year	-	(2,884)	(1,294)	**(4,178)**
Closing net book amount	**11,959**	**8,264**	**14,766**	**34,989**
At 30 June 2019				
Cost	11,959	17,219	19,400	**48,578**
Accumulated amortisation	-	(8,955)	(4,634)	**(13,589)**
Net book amount	**11,959**	**8,264**	**14,766**	**34,989**
Year ended 30 June 2020				
Opening net book amount	11,959	8,264	14,766	**34,989**
Additions (internally developed)	-	1,158	-	**1,158**
Additions (externally acquired)	-	1,703	-	**1,703**
Disposals	-	-	-	**-**
Amortisation charge for the year	-	(3,023)	(1,294)	**(4,317)**
Closing net book amount	**11,959**	**8,102**	**13,472**	**33,533**
At 30 June 2020				
Cost	11,959	20,081	19,400	**51,440**
Accumulated amortisation	-	(11,979)	(5,928)	**(17,907)**
Net book amount	**11,959**	**8,102**	**13,472**	**33,533**

(a) Accounting Policy

i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, and is carried at cost less accumulated impairment losses.

ii) Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from two and a half years to five years.

13. INTANGIBLE ASSETS continued

(a) Accounting policy continued

iii) Customer contracts	Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which is approximately ten to fifteen years.
iv) Impairment	Goodwill and intangible assets that have an indefinite useful life and are not subject to amortisation, are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(b) Impairment tests for goodwill and indefinite life intangibles

Goodwill and indefinite life intangibles are allocated to a cash generating unit (CGU) which may be at a level lower than operating segments. Goodwill is allocated at an operating segment level to a CGU or group of CGUs.

The recoverable amount of a CGU is determined based on a value-in-use calculation. The value-in-use calculation uses cash flow projections based on financial budgets and forecast forward projections approved by management covering a four-year period. The recoverable amount exceeds the carrying value of the goodwill or indefinite life intangibles.

(c) Critical accounting judgements and estimates: Key assumptions used for value-in-use calculations

The assumptions used for the cash flow projections for the first three years are in line with the current Board approved budget and forecast forward projections. Key assumptions include policyholder growth, claims ratio and the discount factor.

Policyholder growth is calculated by forecasting the number of sales each month based on budgeted advertising and promotions spend, less the number of expected lapses each month. Claims ratios are targeted that generate price increases that maintain price competitiveness, cover expected increases in claims costs, do not adversely affect the fund’s capital adequacy position, and enable funding of future business growth.

The assumptions have been updated for the expected ongoing economic impact of COVID-19.

Cash flows beyond the four-year period are extrapolated in perpetuity assuming a growth factor of 2.5%. The Company has applied a post-tax discount rate to discount the forecast future attributable post tax cash flows.

Management determined policyholder growth and claims ratios based on past performance and its expectations for the future.

	Policyholder growth [1]		Claims ratio [1]		Long term growth rate		Pre-tax discount rate	
	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%	%	%
nib nz limited	6.3	5.4	62.6	60.0	2.5	2.5	9.9	11.0

[1] These assumptions are an average of the four year forecast period

(d) Significant estimate: Impact of possible changes in key assumptions.

In both 2020 and 2019 there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write down of goodwill.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

	2020 $000	2019 $000
Right-of-use assets - properties	9,396	-
	9,396	**-**

Movements in right-of-use assets are as follows:

	2020 $000	2019 $000
Adoption of NZIFRS 16	8,165	-
Additions	1,944	-
Depreciation charge for the year	(713)	-
Right-of-use assets at end of period	**9,396**	**-**

(b) Lease liabilities

	2020 $000	2019 $000
Current	**1,080**	**-**
Non-current	**10,698**	**-**

During the year, the Company extended its agreement to lease the Auckland office premises for a further 6 year lease term, commencing 1st November 2020. The Company also entered into a new lease agreement for additional Auckland office space for a lease term of 7 years commencing 1 November 2019. The lease agreements provide for a rent review every 3 years based on prevailing market value rates at the time of review. As part of the lease, a $114,256 bank guarantee was required.

(c) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income includes the following amounts related to leases.

	Notes	2020 $000	2019 $000
Depreciation charge of right-of-use assets - properties	6	713	-
Finance costs - interest on lease liabilities	6	554	-
Expenses relating to short-term leases (included in other expenses)	6	255	-

The total cash outflow for leases in 2020 was $1,031,000.

(d) Adoption of NZ IFRS 16 Leases

i) Adjustments recognised on adoption of NZ IFRS 16

On adoption of NZ IFRS 16 on 1 July 2019, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.0%.

	$000
Operating lease commitments disclosed as at 30 June 2019	1,234
Discounted using the lessee's incremental borrow ing rate of at the date of initial application	(3,946)
Add: adjustments as a result of a different treatment of extension and termination options	13,022
Lease liability recognised as at 1 July 2019	**10,310**
Of w hich are:	
Current lease liabilities	891
Non-current lease liabilities	9,419
	10,310

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES continued

(d) Adoption of NZ IFRS 16 Leases continued

i) Adjustments recognised on adoption of NZ IFRS 16 continued

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

		$000
Right-of-use assets - properties	increase by	8,165
Deferred tax assets	increase by	601
Lease liabilities	increase by	10,310

The net impact on retained earnings on 1 July 2019 was a decrease of $1,544,000.

The adjustments differ from the amounts disclosed in the FY19 Financial Statements due to a revision in the incremental borrowing rate performed prior to adoption.

Practical expedients applied

In applying NZ IFRS 16 for the first time, the Company has used the following expedients permitted by the standard:

- the use of a single discount rate to a portfolio with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease terms of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at a date of initial application, and
- the use of hindsight in determining the lease term where the contact options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying NZ IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(e) Accounting policy

The Company leases office and parking spaces. Rental contracts are typically made for fixed periods of 6 to 7 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Prior to the 2020 financial year, leases of property were classified as either finance or operating leases, and operating leases were not recognised in the statement of financial position. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, operating leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in–substance fixed payment), less any lease incentives
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual guarantees
- the exercise price of a purchase option if the lessee is reasonable certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES continued

(e) Accounting policy continued

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

i) Extension and termination options

Extension and termination options are included in a number of leases across the Company. These terms are used to maximise operational flexibility in terms of managing contracts.

15. PAYABLES

	2020 $000	2019 $000
Current		
Trade payables	989	958
Other payables	6,987	5,853
Intercompany payable	2,421	1,501
Annual leave payable	1,250	867
	11,647	**9,179**

(a) Accounting Policy

ii) Payables	These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid. Payables are recognised initially at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method. Provisions are only recognised when the Company has a present legal or constructive obligation as a result of a past event or decision, and it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are recognised as the best estimate of future cash flows discounted to present value where the effect is material.
ii) Annual leave payable	Provision is made for annual leave for services rendered up to the balance date. Annual leave balances expected to be settled within 12 months of the reporting date are measured at their nominal amounts.

16. CLAIMS LIABILITIES

The note name was changed since the year ended 30 June 2019 from Outstanding Claims Liability to Claims Liabilities to incorporate the Provision for deferred and suspended claims arising from the COVID-19 lockdown.

Outstanding Claims Liability	2020 $000	2019 $000
Outstanding claims - central estimate of the expected future payment for claims incurred	16,237	15,064
Risk margin	1,150	1,069
Claims handling costs	487	346
Gross outstanding claims liability	**17,874**	**16,479**
Provision for deferred and suspended claims		
Provision for deferred and suspended claims	8,989	-
	8,989	**-**
Total claims liabilities	**26,863**	**16,479**

a) Outstanding claims liability

Movements in the gross outstanding claims are as follows:

	2020 $000	2019 $000
Gross outstanding claims at 1 July	16,479	15,491
Risk margin	(1,069)	(1,004)
Claims handling costs	(346)	(298)
Central estimate at the start of the year	**15,064**	**14,189**
Change in claims incurred for the prior year	(1,105)	(824)
Claims paid in respect of the prior year	(13,131)	(13,256)
Claims incurred during the year (expected)	148,642	135,488
Claims paid in respect of the current year	(133,233)	(120,533)
Central estimate at the end of the year	**16,237**	**15,064**
Risk margin	1,150	1,069
Claims handling costs	487	346
Gross outstanding claims at the end of the year	**17,874**	**16,479**

The following table shows the expected run-off pattern of net undiscounted outstanding claims:

	2020 $000	2019 $000
Expected claims run off:		
Within 3 months	15,905	13,925
3 to 6 months	1,191	1,494
6 to 12 months	619	907
After 12 months	159	153
Total outstanding claims at 30 June	**17,874**	**16,479**

	2020	2019
The weighted average expected term to settlement of outstanding claims based on historical trends is:	1.56 months	1.75 months

16. CLAIMS LIABILITIES continued

a) **Outstanding claims liability** continued

i) Critical accounting judgements and estimates: Outstanding claims liability

Actuarial methods and accounting policy

Provision is made at the reporting date for the liability for outstanding claims which is measured as the central estimate of the expected payments against claims incurred but not settled at the reporting date under private health insurance contracts issued by the Company.The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported. This 'central estimate' of outstanding claims is an estimate which is intended to contain no intentional over or under estimation. For this reason the inherent uncertainty in the central estimate must also be considered and a risk margin is added. The estimated cost of claims includes allowances for claims handling expenses. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. 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.

In calculating the estimated cost of unpaid claims the Company uses estimation techniques based upon statistical analysis of historical 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 changes in the Company's processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods. The calculation is determined taking into account one month of actual post balance date claims.

The risk margin is based on an analysis of the past experience of the Company. This analysis examines the volatility of past payments that are not explained by the model adopted to determine the central estimate. This past volatility is assumed to be indicative of the future volatility.

The outstanding claims liability methods used during the year have been reviewed and modified in response to the impact of the COVID-19 pandemic. As detailed in the following paragraph, the chain ladder method was used for all months for 30 June 2020.

Two methods are used to estimate the unpaid claims. The chain ladder method assumes that the development pattern of the current claims will be consistent with historical experience. The Bornhuetter-Ferguson method progressively blends payment experience and prior forecasts of incurred costs. The accounts reflect the results of the chain ladder method. (30 June 2019: the accounts reflect the results of the chain ladder method for April 2019 and prior months, and the Bornhuetter-Ferguson method is used for May 2019 and June 2019 months).

Estimates of the outstanding claims liability and premium payback liability as at period end have been prepared by Jamie Reid, B.Sc., FIAA, FNZSA. The actuarial assessments are in accordance with the standards of the New Zealand Society of Actuaries.

The Company's Appointed Actuary was satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability and premium payback liability. The outstanding claims liability and premium payback liability are set at a level that is appropriate and sustainable to cover the Company's claims obligations after having regard to the prevailing market environment and prudent industry practice.

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

	2020		2019	
	Surgical	Medical	Surgical	Medical
NZ Health Insurance	%	%	%	%
Assumed proportion paid to date	89.0%	88.7%	89.9%	85.9%
Claims handling costs	3.0%	3.0%	2.3%	2.3%
Risk margin	9.3%	9.3%	9.3%	9.3%

The risk margin is intended to provide approximately a 95% probability of adequacy (30 June 2019: 95%).

16. CLAIMS LIABILITIES continued

a) Outstanding claims liability continued

ii) Sensitivity analysis

The Company conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying actuarial assumptions. The movement in any key variable will impact the performance and equity of the Company. The tables below provide a description of the processes used to determine these assumptions, as well as how a change in each assumption will affect the insurance liabilities.

Key variable	Description	Impact of movement in variable
Chain Ladder Development Factors	Chain ladder development factors were selected based on observations of historical claim payment experience. Particular attention was given to the development of the most recent 12 months.	An increase or decrease in the chain ladder factors would lead to a higher or lower projection of the ultimate liability and a corresponding increase or decrease in claims expense respectively.
Bornhuetter-Ferguson Unpaid Factors	Bornhuetter-Ferguson Unpaid Factors were selected based on historical patterns of payment (by development) to ultimate incurred claims. That is, the proportion of ultimate incurred claims to be paid by development month is selected based on observations from the historical development. This “unpaid proportion” is then multiplied by a prior forecast of incurred claims for each service month to determine the outstanding claims estimate.	An increase or decrease in the level of unpaid factors would lead to a higher or lower projection of the ultimate liability and a corresponding increase or decrease on claims expense respectively.
Claims handling costs	The estimate of outstanding claims liability incorporates an allowance for the future cost of administrating the claims. This allowance is determined after analysing historical claim related expenses incurred by the classes of business.	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Risk margin	The outstanding claims liability also includes a risk margin that relates to the inherent uncertainty in the central estimate of the future payments. Risk margins are determined on a basis that reflects the Company’s business. Regard is given to the robustness of the valuation models, the reliability and volume of available data, past experience of the insurer and the industry and the characteristics of the classes of business written. The risk margin is intended to provide approximately a 95% probability of adequacy (2019: 95%).	An estimate of the amount of uncertainty in the determination of the central estimate. An increase or decrease in the risk margin would have a corresponding impact on claims expense.
Discount rate	As claims are generally settled within one year, no discounting of claims is applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material.	

16. CLAIMS LIABILITIES continued

a) Outstanding claims liability continued

ii) Sensitivity analysis continued

Impact of key variables:

			Profit after tax 2020 $000		Equity 2020 $000
Recognised amounts in the financial statements			**17,591**		**103,857**
Variable	Movement in variable	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
		$000	$000	$000	$000
Chain Ladder Development Factors	+0.5%	(598)	16,993	(598)	103,259
	-0.5%	598	18,189	598	104,455
Bornhuetter-Ferguson Unpaid Factors [1]	+2.0%	-	17,591	-	103,857
	-2.0%	-	17,591	-	103,857
Claims handling costs	+1.0%	(128)	17,463	(128)	103,729
	-1.0%	128	17,719	128	103,985
Risk margin	+1.0%	(120)	17,471	(120)	103,737
	-1.0%	120	17,711	120	103,977

[1] In calculating the estimated cost of unpaid claims, the Bornhuetter-Ferguson method has not been selected, therefore the impact is null.

			Profit after tax 2019 $000		Equity 2019 $000
Recognised amounts in the financial statements			**16,136**		**101,310**
Variable	Movement in variable	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
		$000	$000	$000	$000
Chain Ladder Development Factors	+0.5%	(427)	15,709	(427)	100,883
	-0.5%	427	16,563	427	101,737
Bornhuetter-Ferguson Unpaid Factors	+2.0%	(392)	15,744	(392)	100,918
	-2.0%	392	16,528	392	101,702
Claims handling costs	+1.0%	(119)	16,017	(119)	101,191
	-1.0%	119	16,255	119	101,429
Risk margin	+1.0%	(111)	16,025	(111)	101,199
	-1.0%	111	16,247	111	101,421

16. CLAIMS LIABILITIES continued

b) Provision for deferred and suspended claims

i) Critical accounting judgements and estimates

On 12 March 2020, the World Health Organisation declared the outbreak of coronavirus (COVID-19) a global pandemic. Due to the temporary closure of elective surgery and reduced access to ancillary benefits, the Company experienced unusually low claims volumes from March to May 2020.

Given the lower claims activity, the Company has recognised a provision for deferred claims based on a present constructive obligation resulting from a past event under NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets. In nib's case, the event (COVID-19) which occurred in March 2020 has triggered the deferral of claims activity and benefits that would have otherwise been provided to members. If cover remains in place, a responsibility exists to provide for these claims that would have ordinarily been incurred under normal circumstances. nib members with continuing cover would have had an expectation to use and therefore claim on hospital, surgical and ancillary services had the pandemic not arisen, notwithstanding the backlog of activity. The provision is therefore management's estimate of the percentage of claims which did not occur in FY20 that are anticipated to be deferred to FY21.

In estimating the provision, two key steps were undertaken:

1. **Estimating the gross reduction in claims (estimated claims savings) due to temporary closure of elective surgery and reduced access to ancillary benefits.** Incurred claims estimates produced at 30 June 2020 (and taking into account one month of actual post balance date claims) as part of the year end outstanding claims provisioning process were compared to the most recent forecast produced prior to COVID-19 impacting claims activity. The difference between forecast and actual incurred was calculated by modality (claim type) to estimate the financial impact of COVID-19 across the March to June 2020 period.

2. **Applying a deferral rate.** Certain factors need to be considered when assessing that not all estimated savings translate to a claims payment backlog at balance date. For example:
   a. there has continued to be lapses of memberships in the normal course of business;
   b. some types of private health benefits, particularly in the ancillary category, are less likely to have been deferred;
   c. catch up of benefits between ancillary and hospital categories differs due to capacity in facilities, lead time to arrange procedures etc.

   nib's deferral rates have been estimated on average at 90% of estimated hospital and ancillary claims savings to be deferred on the basis that this represents the 2021 financial year claims which are expected to be inflated by above normal trends due to COVID-19.

nib's forecasting of claims activity is well established and is considered a reasonable basis for this estimation, however this estimate is subjective and judgmental. The key risks associated in estimating the components of the provision is the under/over estimation of the claims deferral rate and to a lesser extent, the under/over estimation of the claims savings.

This provision is expected to fully unwind over the next twelve months based on expected claims activity and payment patterns.

b) Provision for deferred and suspended claims continued

ii) Sensitivity analysis - Impact of key variables

			Profit after tax		Equity
			$000		$000
			$000		$000
Recognised amounts in the consolidated financial statements			**17,591**		**103,857**
Variable	**Movement in variable**	**Adjustments**	**Adjusted amounts**	**Adjustments**	**Adjusted amounts**
		$000	$000	$000	$000
Claims deferral rate	+10.0%	(719)	16,872	(719)	103,138
	-10.0%	719	18,310	719	104,576

17. UNEARNED PREMIUM LIABILITY

	2020 $000	2019 $000
Current		
Unearned premium liability	21,588	20,443
	21,588	**20,443**
Non-current		
Unearned premium liability	1,047	564
	1,047	**564**

The unearned premium liability reflects premiums billed in advance, which averages between one and two months of prepayments.

Movements in the unearned premium liability are as follows:

	2020 $000	2019 $000
Unearned premium liability at 1 July	21,007	19,259
Deferral of premiums on contracts w ritten in the year	255,138	231,532
Earning of premiums	(253,510)	(229,784)
Unearned premium liability at the end of the year	**22,635**	**21,007**

(a) Unexpired risk liability

No deficiency was identified as at 30 June 2020 and 30 June 2019 that resulted in an unexpired risk liability needing to be recognised.

(b) Critical accounting judgements and estimates: Liability adequacy test

Actuarial methods

A liability adequacy test is performed to determine whether the unearned premium liability is sufficient to cover the present value of the expected cash flows arising from rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate. The future cash flows are future claims, associated claims handling costs and other administration costs relating to the business.

If the unearned premium liability less related deferred acquisition costs exceeds the present value of the expected future cash flows of claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate, then the unearned premium liability is deemed to be sufficient. Any deficiency is recorded in the Statement of Comprehensive Income and an unexpired risk liability created. The Company applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability, refer to Note 16.

This test is also extended beyond recognised unearned premium liability to include premiums renewable until the next pricing review.

The risk margin assumption used for the liability adequacy test has increased from 30 June 2019 to recognise the increased risks and uncertainty of COVID-19.

	2020	2019
Central estimate of the present value of expected future cash flow s	60.90%	60.90%
Risk margin	9.30%	7.50%

18. PREMIUM PAYBACK LIABILITY

	2020 $000	2019 $000
Current		
Premium payback liability	3,698	3,298
	3,698	**3,298**
Non-current		
Premium payback liability	17,745	16,848
	17,745	**16,848**

Movements in the premium payback liability are as follows:

	2020 $000	2019 $000
Gross premium payback liability at 1 July	20,146	19,874
Adjustment to ensure reserve exceeds current pay out on early lapse	-	(18)
Value of payments currently being processed	(738)	(695)
Risk margin	(541)	(506)
Central estimate at the start of the year	**18,867**	**18,655**
Funding/new accrued	2,416	2,652
Unwind discount rate	283	335
Interest rate movement impact	853	859
Premium payback payments	(2,303)	(3,543)
Others	(529)	(91)
Central estimate at the end of the year	**19,587**	**18,867**
Adjustment to ensure reserve exceeds current pay out on early lapse	13	-
Value of payments currently being processed	1,201	738
Risk margin	642	541
Total premium payback liability at the end of the year	**21,443**	**20,146**

18. PREMIUM PAYBACK LIABILITY continued

(a) Critical accounting judgments and estimates: Premium payback liability

Actuarial methods

A number of policies have a benefit where policyholders receive a proportion of premiums paid less claims received over the life of their policy, "premium payback", if certain conditions are met. The premium payback liability represents the accrued amount of premium expected to be repaid to certain policyholders. This liability represents a long-term health insurance contract liability.

The liability was determined based on the discounted value of accumulated excess of premiums over claims at an individual policy level, adjusted for GST recoveries and expected future lapses.

The following assumptions have been made in determining the premium payback liability:

	2020	2019
Lapse rate until 3 years from premium payback date	2.0% - 10.0%	2.0% - 10.0%
Lapse rate within 3 years of premium payback date	0.0% - 1.0%	0.0% - 1.0%
Expense rate	0.0%	0.0%
Discount rate for succeeding and following period	0.3% - 0.4%	1.2% - 1.3%
Risk margin	4.3%	3.7%

The risk margin has been estimated to equate to a probability of adequacy of approximately 95% (30 June 2019: 95%).

(b) Liability adequacy test

A liability adequacy test to cover uncertainty in the central estimate is also applied to confirm the sufficiency of the liability in aggregate.

Assumptions used in the calculation of the liability adequacy test:

	2020	2019
Discount rate for succeeding and following years	0.3% - 0.4%	1.2% - 1.3%
Claims and premium inflation rate for succeeding and following years	9% p.a.	9% p.a.
Lapse rates	0% to 25% p.a.	0% to 25% p.a.
Administration expense per customer	$90.58	$88.80
Expense inflation for succeeding and following years	2% p.a.	2% p.a.

No deficiency was identified as at 30 June 2020 and 30 June 2019 that resulted in an unexpired risk liability needing to be recognised.

18. PREMIUM PAYBACK LIABILITY continued

(c) Sensitivity analysis

i) Summary

The Company conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying actuarial assumptions. The movement in any key variable will impact the performance and equity of the Company. The table below provides a description of the processes used to determine these assumptions, as well as how a change in each assumption will affect the insurance liabilities.

Key variable	Description	Impact of movement in variable
Lapse rate	Rate used in calculating the discounted provision to allow for expected lapses, based on historical experience.	An increase or decrease in the lapse assumption would have an inverse impact on the premium payback liability and risk margin.
Risk margin	An estimate of the amount of uncertainty in the determination of the central estimate.	An increase or decrease in the risk margin would have a corresponding impact on the premium payback liability.
Discount rate	Rate used in calculating the discounted provision to allow for expected investment income, based on current yields on New Zealand government debt (risk free rates).	An increase or decrease in the discount rate assumption would have an inverse impact on the premium payback liability.

ii) Impact of key variables:

			Profit after tax 2020 $000		Equity 2020 $000
Recognised amounts in the financial statements			**17,591**		**103,857**
Variable	Movement in variable	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
		$000	$000	$000	$000
Lapse Rate	+1.0%	443	18,034	443	104,300
	-1.0%	(410)	17,181	(410)	103,447
Discount Rate	+1.0%	782	18,373	782	104,639
	-1.0%	(706)	16,885	(706)	103,151
Risk margin	+1.0%	(108)	17,483	(108)	103,749
	-1.0%	108	17,699	108	103,965

			Profit after tax 2019 $000		Equity 2019 $000
Recognised amounts in the financial statements			**16,136**		**101,310**
Variable	Movement in variable	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
		$000	$000	$000	$000
Lapse Rate	+1.0%	409	16,545	409	101,719
	-1.0%	(441)	15,695	(441)	100,869
Discount Rate	+1.0%	687	16,823	687	101,997
	-1.0%	(761)	15,375	(761)	100,549
Risk margin	+1.0%	(145)	15,991	(145)	101,165
	-1.0%	145	16,281	145	101,455

19. SHARE CAPITAL AND DISTRIBUTIONS

(a) Share capital

	2020 $000	2019 $000
Ordinary shares		
Fully paid	51,200	51,200
Total contributed equity	**51,200**	**51,200**

The total authorised number of ordinary shares is 5,001,000 with a par value of 100 cents per share. All issued shares are fully paid. There is one class of ordinary share. All shares issued carry equal voting rights.

i) Ordinary shares	Ordinary shares issued by the Company are classified as equity and are recognised at fair value less direct issue costs.

(b) Distributions

	2020 $000	2019 $000
Dividends paid during the period	**13,500**	**15,200**

i) Dividends	Dividend distributions to the Company's parent company are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board.

20. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to its shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company has a number of levers, including adjusting the amount of dividends paid to the shareholder, returning capital to the shareholder, issuing new shares, selling assets, or raising debt.

The Company is required to comply with the *Solvency Standard for Non-Life Insurance Business (2014)* published by the Reserve Bank of New Zealand (RBNZ). The Solvency Standard determines the Minimum Solvency Capital (MSC) required. A requirement of nib nz limited's insurance licence is that it maintains capital above the MSC.

The overriding objective underpinning the capital management approach is to operate with a level of capital judged to be commercially prudent and within the bounds of the Board's risk appetite, which achieves a balance between:	Maintaining a buffer above the RBNZ MSC for the Company;
	Maintaining a level of capital that supports an appropriate financial strength rating; and
	Avoiding holding an excessive level of capital, which would otherwise act to reduce returns on capital for the Company.

nib nz limited's internal solvency benchmark is 2.25x MSC. Any capital in excess of the benchmark, taking a 12-month forward looking view, will be reduced by way of dividend to nib nz holdings limited, unless management decide to retain funds for strategic purposes.

Given the economic uncertainty partly as a result of COVID-19, the RBNZ issued a letter on 22 July 2020 asking licensed insurers to refrain from the payment of dividends or other unnecessary reductions in insurer capital amounts, until the RBNZ advises a change in this position. In accordance with the RBNZ instructions, nib nz limited is not proposing a dividend at this time. Ordinarily, unless funds are retained for strategic purposes, a dividend would be declared in August.

	2020 $000	2019 $000
Actual Solvency Capital	32,571	33,095
Minimum Solvency Capital	13,451	11,677
Solvency Margin	**19,119**	**21,418**
Solvency Ratio	2.42	2.83
Internal benchmark	2.25xMSC	2.00xMSC
Internal benchmark requirement	30,265	23,354
Surplus assets over internal benchmark	**2,305**	**9,741**

21. CONTINGENT LIABILITIES

The Company has no material contingent liabilities as at the reporting date (30 June 2019: nil). The Company is occasionally subject to claims and disputes as a commercial outcome of conducting insurance business. Provisions are recorded for these claims or disputes when it is probable that an outflow of resources will be required to settle any obligations. Best estimates are included within claims reserves for any litigation that has arisen in the usual course of business.

22. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have not been any matters or circumstances that have arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

23. REMUNERATION OF AUDITOR

	2020 $000	2019 $000
a) PricewaterhouseCoopers New Zealand		
1. Audit services		
Audit and half year review of financial report	190	239
Total remuneration for audit services	**190**	**239**
2. Non-audit services		
Audit-related services		
Assurance engagement over regulatory return	14	13
Total remuneration for audit-related services	**14**	**13**
Total remuneration for non-audit services	**14**	**13**
Total remuneration of PricewaterhouseCoopers New Zealand	**204**	**252**

24. RELATED PARTY TRANSACTIONS AND BALANCES

The Company is controlled by nib holdings limited (incorporated in Australia), the "Ultimate Parent". nib nz holdings limited, the immediate parent owns 100% of the Company's shares.

The following transactions were carried out with related parties:

(a) Related party transactions

nib health funds pty limited and WNG Services Pty Limited are fellow subsidiaries of the Ultimate Parent. The Company entered into transactions with its related parties in the normal course of business. No debts have been written off or forgiven during the year. Transactions during the year are shown below:

	2020 $000	2019 $000	Nature of Relationship	Type of Transactions
nib holdings Limited (Australia)	67	63	Ultimate Parent	Management fees paid
nib health funds Limited (Australia)	5,941	4,725	Related party	Management fees paid
nib health funds Limited (Australia)	1,593	676	Related party	Reimbursement of expenses paid
nib health funds (Australia)	(91)	(155)	Related party	Reimbursement of expenses incurred
WNG Services Pty Limited (Australia)	653	386	Related party	Travel insurance expense incurred
nib nz holdings limited	13,500	15,200	Parent	Dividend declared and paid

(b) Related party balances

Related party receivable and payable balances of the Company at the reporting date were as follows. The receivable and payable balances are interest free and are payable on demand.

	2020 $000	2019 $000	Nature of Relationship	Type of Balance
nib holdings Limited (Australia)	18	15	Ultimate Parent	Management fees paid
nib health funds Limited (Australia)	2,361	1,408	Related party	Management fees and reimbursement of expenses paid
WNG Services Pty Limited (Australia)	42	79	Related party	Management fees income and expenses

(c) Key management personnel compensation

The remuneration of key management personnel, including staff and Independent Directors, during the year was as below:

	2020 $000	2019 $000
Salaries and short-term employee benefits	703	709
Share-based payments	241	271
Independent Directors fees	238	231
	1,182	**1,211**

Key management personnel may be entitled to equity instruments in the form of shares of nib holdings limited refer to Note 25.

24. RELATED PARTY TRANSACTIONS AND BALANCES continued

(d) Loans to key management personnel

There have been no loans made to Directors of the Company and other key management personnel.

(e) Other transactions with key management personnel and Directors

Key management and Directors also hold various insurance policies with the Company. These are operated on normal commercial terms.

25. SHARE-BASED PAYMENTS

(a) Expenses arising from share-based payments transactions

	2020 $000	2019 $000
Shares purchased on market under nib salary sacrifice plan and matching plan and salary sacrifice (NZ) rules and matching plan (NZ)	50	54
Performance rights granted under LTIP	(11)	95
Shares purchased on market under STI	167	156
	206	**305**

(b) Long-term incentive plan (LTIP)

Performance rights to acquire shares in nib holdings limited are granted to executives under the LTIP. The LTIP is designed to align the interests of executives and shareholders and to assist nib in the attraction, motivation and retention of executives.

The LTIP participants are granted performance rights which enable executives to acquire shares in nib holdings limited for nil consideration if performance conditions are met and the employees are still employed by the nib Group at the end of the vesting period. The vesting date may be accelerated at the Board's discretion in the event of death of a participant, cessation of employment for other reasons; including total and permanent disablement, redundancy and retirement. The vesting date will also be accelerated on winding up, delisting, change of control and reconstruction or amalgamation.

Participation in the plan is at the nib holdings limited Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The nib Holdings Ltd Share Ownership Plan Trust administers the whole Group's Executive management Short-Term Incentive and LTIP. The Trust has been consolidated in the Ultimate Parent annual financial statements.

Performance rights granted under the plan:

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
22/01/2016	1/09/2019	-	49,492	-	(49,492)	-	-	-
5/12/2016	1/09/2020	-	56,623	-	-	-	56,623	-
15/12/2017	1/09/2021	-	42,252	-	-	-	42,252	-
23/11/2018	1/09/2022	-	40,324	-	-	-	40,324	-
21/12/2019	1/09/2023	-	-	38,648	-	-	38,648	-
			188,691	38,648	(49,492)	-	177,847	-

(c) Short-Term Incentive (STI)

Eligible employees have a STI opportunity. For the CEO, the maximum target bonus opportunity is 100% (2019: 100%) of the base remuneration package with half of the calculated entitlement deferred into shares for one year.

The nib Holdings Ltd Share Ownership Plan Trust administers the Company's Executive management STI and LTIP. The Trust has been consolidated in the Ultimate Parent annual financial statements.

Shares issued by the Trust to the employees are acquired on-market prior to the issue. Shares held by the Trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in nib holdings limited financial statements.

Shares were purchased on market and brokerage fees are borne by nib health funds limited.

25. SHARE BASED PAYMENTS continued

(d) Employee Share Purchase Scheme (ESPS)

Eligible New Zealand employees are offered the opportunity to receive part of their salary in the form of shares. All permanent employees who are an employee at the date the offer is made are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

ESPS is administered by the Board. Shares granted to the employees by the Board are acquired on-market via a third party trustee plan company.

Under the FY19 and FY18 ESPS, participating employees were allocated an aggregate market value up to NZ$1,000 worth of fully paid ordinary shares in nib holdings limited each financial year. In the FY17 ESPS employees were offered the opportunity to apply for NZ$340 worth of nib shares. Due to New Zealand tax legislation, the ESPS Rules require that each employee's contributions are not more than NZ$2,340 in total in any three-year period. This limit applies to contributions made by the employee, not the value of the shares received. Another requirement of the Rules is that all employees must be eligible to participate equally in the scheme. Subsequent offers under ESPS are at the Board's discretion.

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment. In all other respects shares rank equally with other fully-paid ordinary shares on issue.

	2020	2019
Number of shares purchased on market under the plan to participating employees	4,780	4,503

The FY20 ESPS shares were allocated on 21 August 2019 following nib's FY19 full year results presentation at a volume weighted average price of $7.07. The remaining tranche of shares were allocated on 26 February 2020 following nib's FY20 half year results presentation at a volume weighted average price of $4.75.

(e) Salary Sacrifice Plan and Matching Plan

Eligible New Zealand business unit head employees are offered the opportunity to receive part of their salary in the form of shares, with an additional amount of shares contributed by the Group. Employees may elect not to participate in the plan.

The plan is administered by the Board. Shares granted to the employees by the Board are acquired on-market via a third party trustee plan company.

Under the plan, participating employees are allocated an aggregate market value up to NZ$10,000 worth of fully paid ordinary shares in nib holdings limited, made up of NZ$5,000 salary sacrifice and NZ$5,000 matching company component. Subsequent offers under the plan are at the Board's discretion.

Shares issued under the scheme may not be sold until the earlier of three or seven years after issue, or cessation of employment. In all other respects shares rank equally with other fully paid ordinary shares on issue.

	2020	2019
Number of shares purchased on market under the plan to participating employees	3,386	4,097

(f) Accounting Policy

The fair value of performance rights granted under the nib holdings LTIP is recognised as an employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the performance rights granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimate of the number of performance rights that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income, with a corresponding adjustment to intercompany payables.

The LTIP is administered by the nib Holdings Ltd Share Ownership Plan Trust. When the performance rights are exercised, the trust transfers the appropriate amount of shares to the employee. Under the STI, nib Salary Sacrifice Plan and Matching Plan, shares are acquired on-market and expensed.

26. INSURER FINANCIAL STRENGTH RATING

nib nz limited has an insurer financial strength rating of ‘A-’ (Strong) issued by S&P Global Ratings Australia Pty Ltd. The rating was issued in June 2020.

Directors' Declaration
For the year ended 30 June 2020
nib nz limited

The Directors of nib nz limited present their report and financial statements of the Company for the year ended 30 June 2020.

During the year, the Company undertook its principal activity of providing health insurance services.

The after tax profit for the year was $17.6 million (30 June 2019: $16.1 million). Shareholders' equity at the end of the year totalled $103.9 million (30 June 2019: $101.3 million). The Directors consider the state of affairs of the Company to be satisfactory.

No disclosure has been made in respect of Section 211 (1)(a) and (e) to (j) of the *Companies Act 1993* following a unanimous decision by the shareholders in accordance with section 211 (3) of the Act.

The Company has arranged Directors' liability insurance for Directors and Officers of the Company and its related companies which provide protection for Directors and Officers as a result of actions undertaken by them in the course of their duties, other than conduct involving wilful breach of duty.

The Directors in office at the date of this report are:

- Alan Clarke
- Mark Fitzgibbon
- Robert Hennin
- Hanne Janes
- Anne Loveridge
- Anthony Ryall

The Board of Directors authorised these financial statements for issue on the date signed below.

For and on behalf of the Board

Anthony Ryall
Director

Anne Loveridge
Director

14 August 2020

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Independent auditor's report

To the shareholder of nib nz limited

We have audited the financial statements which comprise:

- the statement of financial position as at 30 June 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements of nib nz limited (the Company), present fairly, in all material respects, the financial position of the Company as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Company in relation to assurance over the regulatory solvency return. Partners and employees of our firm may also deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. These services and relationships have not impaired our independence as auditor of the Company.

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.

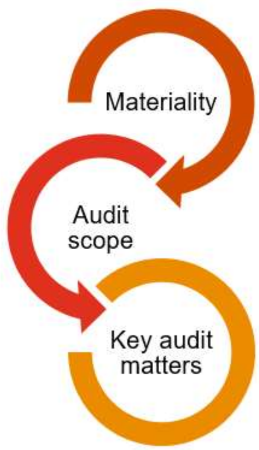
Key audit matter	How our audit addressed the key audit matter
Valuation of claims liabilities of $26.9 million (2019: $16.5 million), made up of outstanding claims liability of $17.9m (2019: $16.5m) and the recognition of a provision for deferred and suspended claims arising from the COVID-19 lockdown of $9.0m (2019: nil) Refer to note 16 of the financial statements. *Outstanding claims liability ($17.9 million)* The liability is an estimate of expected payments to policyholders for unsettled insurance claims. This includes an estimate for known and reported claims as well as incurred but not yet reported claims. We focused on the valuation of the outstanding claims liability because of the complexity and judgements involved in the estimation techniques applied. These techniques are based upon analysis of historical experience and allowances for changes or uncertainties which may create distortions in the underlying claims data. The Company has an external appointed actuary who provides an estimate of the outstanding claims liability based on data provided by the Company. A central estimate is determined based on a number of factors including: • historical claims payment experience; • timeliness of reporting of claims; • evidence around any change in the cost of claims; and • payment speed assumptions. In addition to the central estimate, the appointed actuary applies a risk margin. The risk margin increases the liability and attempts to reduce the impact of the inherent estimation uncertainty. In considering the impact of COVID-19, the actuary has amended their methodology from the prior year to use the chain ladder actuarial valuation method for all months at 30 June 2020.	We evaluated the design effectiveness, implementation and operating effectiveness of key controls over claims payments and claims notified, including the review of key reconciliations supporting the data used in the valuation process. We were assisted by actuarial experts to understand and evaluate the Company's actuarial methodology, and to review the work of the external appointed actuary in determining the liabilities recognised. Our audit procedures included the following: *Outstanding claims liability* • Evaluating whether the Company's actuarial methodologies were consistent with accepted industry practice and prior periods, and adjustments for the impacts of COVID-19 were reasonable. • Assessing and challenging the appropriateness of key actuarial assumptions, including the claims payment patterns and claims handling costs and the risk margin by comparing them with our expectations based on the Company's historical experience, current observable trends and our own industry knowledge. *Provision for deferred and suspended claims* • Evaluating management's analysis of the contributing factors resulting in a constructive obligation to the Company and the recognition of a provision under NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. • Assessing management's analysis of monthly forecasts based on Board approved annual budgets, compared to actual claims for the last quarter of the year. • Evaluating management's analysis of actuals versus expected claims by claim type and the estimation of the deferral rate. • Agreeing monthly actual claims to the general ledger.

Key audit matter	How our audit addressed the key audit matter
Provision for deferred and suspended claims ($9.0 million) The New Zealand government's response to the COVID-19 global pandemic included the temporary closure of elective surgery. This reduced access to ancillary benefits under the mandated level four lockdown and meant that members were unable to claim on their policies. The Company has recognised a constructive obligation in respect to claims that would have occurred when services were deferred or suspended. We focused on this provision as significant judgement is applied in: • determining whether a constructive obligation arises; and • the measurement of the amount required to settle the obligation. The key factors in determining this provision include: • estimating the gross reduction in claims due to temporary closure of elective surgery and reduced access to ancillary benefits based on management's forecasts; and • applying the 90% deferral rate, which represents the portion of the anticipated claims that will be deferred to the year ending 30 June 2021. The valuations of claims liabilities also rely on the quality of the underlying data, including historical claims data and July 2020 claims payment data.	*Claims data used in the determining the valuations of the claims liabilities* We tested the underlying data used in the valuations by: • Reconciling a sample of claims data used in the calculation of the valuations to the policyholder system. • Testing of claims paid to supporting documentation on a sample basis.
Valuation of premium payback liability - $21.4 million (2019: $20.1 million) Refer to note 18 of the financial statements. The Company has two types of hospital cover policies that include a payback feature (payback policies). These are historical products that are no longer marketed or sold. Customers holding these payback policies, subject to certain conditions, are entitled to receive a refund of their premiums paid to the Company less any claims made against their policy.	We evaluated the design effectiveness, implementation and operating effectiveness of key controls over premiums received and claims paid, and reviewed key reconciliations supporting the data used in the valuation process. We were assisted by actuarial experts to understand and evaluate the Company's actuarial practices and the provisions established for the premium payback liability, including the review of the work of the external appointed actuary. Our audit procedures included the following:

Key audit matter	How our audit addressed the key audit matter
The valuation of the premium payback liability is a key audit matter because of the complexity and judgement involved in the estimation process given the long-term nature of the products and the assumptions made in relation to lapse rates, risk margin, claims costs and discount rates. The valuation also relies on the quality of underlying data, including historical premium and claims data. The Company has an external appointed actuary who provides an estimate of the premium payback liability, based on data provided by the Company.	• Evaluating whether the Company's actuarial methodology is consistent with accepted industry practice and prior periods. • Assessing and challenging the appropriateness of key assumptions, including the lapse rates, risk margin, claims costs and discount rates, by comparing them with our expectations based on the Company's historical experience, current observable trends, market data and industry knowledge. Reconciling a sample of policyholder data used in the calculation of the valuation to the policyholder system.
Amortisation and recoverability of deferred acquisition costs (DAC) $15.8 million, ($5.3 million current and $10.5 million non-current) (2019: $16.0 million) Refer to note 11 of the financial statements. The Company recognises DAC for the up-front commission paid to brokers on signing new customers. The DAC is amortised over the expected life of the insurance contract. This component of DAC is a key audit matter because of the judgement involved in determining the run-off period being the average length of insurance for policyholders who are the subject of an up-front commission. The Company is required to assess the recoverability of the asset. This assessment considers the net present value of the future estimated cash flows for those policies that are subject to the up-front commission. If the net present value is higher than the DAC balance, the asset is considered to be recoverable. In addition, the liability adequacy test in note 17 over the insurance liabilities also provides the Company with an indication on the recoverability of the DAC as the test considers sufficiency of the liabilities for claims against the unearned premium liability net of associated DAC. At 30 June 2020, an additional risk margin was included in the test to allow for the impact of COVID-19.	We assessed the processes employed by the Company to determine the DAC run-off period and recoverability of the balance. Our audit procedures included: *DAC amortisation* • Reviewing that the methodology and assumptions used were consistent with prior periods. • Reviewing the reconciliation of data to the policyholder system. • Testing the accuracy of the amortisation calculation by recalculating the amortisation on a sample of policies. *DAC recoverability* • Assessing the methodology and assumptions used by management to assess the net present value of future cash flows to that which we would expect based on our industry and expert knowledge. • We were assisted by actuarial experts who applied their industry and expert knowledge to evaluate the Company's liability adequacy test and the appropriateness of the assumptions and methodology used, including the additional risk margin related to COVID-19.

Our audit approach

Overview



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

Overall materiality: $1,225,000, which represents 5% of average profit before tax for the past three financial reporting years.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. In our judgement, a three year average profit before tax provides a more stable basis for calculating materiality, allowing for possible volatility in claims experience.

We determined that there are three key audit matters:

- Valuation of claims liabilities, including the outstanding claims liability and recognition of the provision for deferred and suspended claims arising from the COVID-19 lockdown
- Valuation of premium payback liability
- Amortisation and recoverability of deferred acquisition costs.

Materiality

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

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

Audit scope

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

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

Information other than the financial statements and auditor's report

The Directors are responsible for the financial statements. Our opinion on the financial statements does not cover the other information (the Directors' declaration) included in the financial statements, and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

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

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
14 August 2020

Auckland

finity
Actuarial and Insurance Consultants

18 August 2020

Mr Nick Cory
Chief Financial Officer
nib nz limited
48 Shortland Street
AUCKLAND 1010

Dear Nick

Review of Actuarial Information contained in the Financial Statements as at 30 June 2020

Finity Consulting Pty Limited (Finity) has been asked by nib nz limited (nib nz) to carry out a review of the 30 June 2020 actuarial information contained in the financial statements and provide an opinion as to its appropriateness. This letter sets out the findings of our review, as required under Section 78 of the Insurance (Prudential Supervision) Act 2010.

Jamie Reid is an employee of Finity and is the Appointed Actuary of nib nz. Jamie Reid and Finity have no relationship with nib nz apart from the Appointed Actuary role.

nib nz's policy is to seek and adopt the advice of the Appointed Actuary in respect of the actuarial information contained in the financial statements. We confirm that the financial statements as at 30 June 2020 have been prepared in accordance with this policy, and as such satisfy the requirements of the Act.

In my opinion and from an actuarial perspective:

- The actuarial information contained in the financial statements has been appropriately included in those statements.
- The actuarial information used in the preparation of the financial statements has been used appropriately.
- nib nz is maintaining the solvency margin that applies under a condition imposed under section 21(2)(b), noting that the required margin is $0.

No limitations were placed on me in performing my review, and all data requested was provided.

Actuarial and Insurance Consultants

This report is being provided for the sole use of nib nz for the purpose stated above. It is not intended, nor necessarily suitable, for any other purpose and should only be relied on the purpose for which it is intended.

Yours sincerely

Jamie Reid

Jamie Reid
Appointed Actuary
Fellow of the New Zealand Society of Actuaries
Fellow of the Institute of Actuaries of Australia