

**Munich Reinsurance Company  
New Zealand Branch**

**(Münchener Rückversicherungs-Gesellschaft  
New Zealand Branch)**

**(Overseas company registered in New Zealand  
under the Companies Act 1993)**

**Annual Financial Statements  
31 December 2020**

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report together with the financial statements of Munich Reinsurance Company (the "Company") – New Zealand Branch (the "Branch") for the year ended 31 December 2020 and the auditor's report thereon.

### Directors

The names and details of the Directors at any time during or since the end of the year are as follows:

Director	Date of appointment / resignation	Areas of accountability
Dr. oec. publ. Joachim Wenning	2009	Chairman of the Board of Management Chairman of the Group Committee Chairman of the Strategy Committee Group Strategy and M&A Group Communications Group Audit Economics, Sustainability & Public Affairs Group Human Resources Group Executive Affairs Group Compliance and Legal
Dr. rer. pol. Thomas Blunck	2005	Life and Health Capital Partners
Nicholas Gartside	2019	Chief Investment Officer Group Investments Third Party Asset Management
Dr. jur. Doris Höpke	2014	Labour Relations Director Europe and Latin America Human Resources
Dr. rer. nat. Torsten Jeworrek	2003	Chairman of the Reinsurance Committee Chairman of the Global Underwriting and Risk Committee Chairman of the Board Committee IT Investments Reinsurance Development Internet of Things Corporate Underwriting Claims Accounting, Controlling and Central Reserving for Reinsurance Information Technology
Dr. rer. Nat. Christoph Jurecka	2019	Chief Financial Officer Chairman of the Group Risk Committee Financial and Regulatory Reporting Group Controlling Integrated Risk Management Group Taxation Investor and Rating Agency Relations
Dr. Achim Kassow	2020	Asia Pacific and Africa Central Procurement Services
Dr. rer. pol. Markus Rieß	2015	Primary Insurance/ERGO
Stefan Golling	2021	Global Clients and North America

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2020** *(continued)*

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**Directors' benefits**

Since the end of the period covered by the last report no Director has received or become entitled to receive a benefit by reason of a contract made by the Branch or a related entity with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

**Principal activities**

The Branch's principal activity is general reinsurance.

**Review of operations**

The result for the year was a profit after tax of \$Nil (2019: \$Nil).

The Branch obtained the same rating as Munich Re Group (AA-) based on ratings published by Standard & Poor's Ratings services as at 31 December 2020.

Post the internal accounting reorganization effective 1<sup>st</sup> January 2019, the Branch continues to maintain its insurance licence in New Zealand in compliance with Section 8 of the Insurance (Prudential Supervision) Act 2010. There are no insurance policies issued or serviced by the Branch during the year.

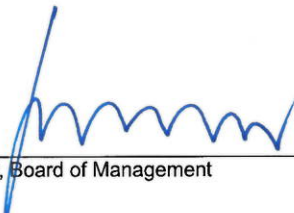
**Matters subsequent to the end of the financial year**

The Directors are not aware, at the date of this report, of any other matter or circumstance which has arisen since 31 December 2019 that has significantly affected or may significantly affect:

- (i) the operations of the Branch;
- (ii) the results of those operations; or
- (iii) the state of affairs of the Branch in the financial years subsequent to 31 December 2020.

Signed in Munich on **12 April** 2021 in accordance with a resolution of the directors:

  
\_\_\_\_\_  
Member, Board of Management

  
\_\_\_\_\_  
Member, Board of Management

Munich Reinsurance Company - New Zealand Branch

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$'000	2019 \$'000
Net profit and total comprehensive income from discontinued operations		-	-
<i>In which:</i>			
General reinsurance premium revenue		-	-
General reinsurance premium expense		-	-
<b>Net general reinsurance premiums</b>		-	-
<b>Net general reinsurance commissions</b>		-	-
General reinsurance claims expense		-	-
General reinsurance claims recoveries		-	-
<b>Net general reinsurance claims</b>		-	-
<b>Underwriting profit</b>		-	-
Other revenue		-	-
Other expenses from operating activities		-	-
Investment revenue		-	-
Investment management expense		-	-
<b>Profit before tax</b>		-	-
Income tax (expense) / benefit	2.3	-	-
<b>Net profit for the year and total comprehensive income for the year</b>		-	-

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 7 to 17.

## Munich Reinsurance Company - New Zealand Branch

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2020**

	Note	2020 \$'000	2019 \$'000
<b>Assets held for distribution</b>		-	-
<i>In which:</i>			
Cash and cash equivalents	3.1	-	-
Other financial assets held for sale	3.2	-	-
Deferred acquisition costs	4.1	-	-
Reinsurance recoveries	4.2	-	-
Current tax receivable	4.2	-	-
Outstanding premiums	4.2	-	-
Other assets	4.2	-	-
Deposit retained by ceding company		-	-
Deferred tax assets	2.3	-	-
<b>Total assets held for distribution</b>		-	-
<b>Assets from continuing operations</b>			
<i>In which:</i>			
Cash and cash equivalents	3.1	1	1
Other financial assets held for sale		-	-
Deferred acquisition costs		-	-
Reinsurance recoveries		-	-
Current tax receivable		-	-
Outstanding premiums		-	-
Other assets		-	-
Deposit retained by ceding company		-	-
Deferred tax assets		-	-
<b>Total assets from continuing operations</b>		1	1
<b>Total assets</b>		1	1
<b>Liabilities held for distribution</b>		-	-
<i>In which:</i>			
Trade and other payables		-	-
Outstanding claims	4.3	-	-
Unearned premiums	4.4	-	-
Deposit retained from related retrocession		-	-
Current tax payable	2.3	-	-
Deferred tax liabilities	2.3	-	-
Other liabilities		-	-
<b>Total liabilities</b>		-	-
<b>Net assets</b>		1	1
<b>Equity</b>			
Head office account		1	1
Retained earnings		-	-
<b>Total equity</b>		1	1

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 7 to 17.



**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

2020	Head office account \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January	1	-	1
<b>TOTAL COMPREHENSIVE INCOME</b>			
Net profit/(loss) for the year	-	-	-
Total comprehensive income for the year	-	-	-
<b>TRANSACTIONS WITH OWNERS OF THE BRANCH</b>			
Total transactions with owners of the branch	-	-	-
Balance at 31 December	1	-	1

2019	Head office account \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January	681,876	(632,531)	49,345
<b>TOTAL COMPREHENSIVE INCOME</b>			
Net profit/(loss) for the year	-	-	-
Total comprehensive income for the year	-	-	-
<b>TRANSACTIONS WITH OWNERS OF THE BRANCH</b>			
Capital repatriation	(681,875)	632,531	49,344
Total transactions with owners of the branch	(681,875)	632,531	49,344
Balance at 31 December	1	-	1

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 7 to 17.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 \$'000	2019 \$'000
<b>Net (decrease) / increase in cash from discontinued operations</b>		-	(167,560)
<i>In which:</i>			
<b>Cash flows from operating activities</b>			
Reinsurance premium received		-	-
Reinsurance claim payments		-	-
Reinsurance premium payments		-	-
Cash (paid) / received on transfer of tax loss		-	-
Other operating receipts		-	-
Other operating payments		-	-
Internal accounting reorganisation		-	(118,216)
<b>Net cash from operating activities</b>	<b>3.1</b>	-	(118,216)
<b>Cash flows from investing activities</b>			
Interest received		-	-
Payments for investments		-	-
Proceeds from sale of investments		-	-
Investment expenses		-	-
<b>Net cash from investing activities</b>		-	-
<b>Cash flows from financing activities</b>			
Internal accounting reorganisation		-	(49,344)
<b>Net cash from financing activities</b>		-	(49,344)
<b>Net (decrease) / increase in cash and cash equivalents</b>		-	(167,560)
Cash and cash equivalents at the beginning of the financial year		1	167,561
<b>Cash and cash equivalents at the end of the financial year</b>	<b>3.1</b>	<b>1</b>	<b>1</b>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 7 to 17.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**Section 1. Basis of preparation**

**1.1. Reporting entity**

Munich Reinsurance Company – New Zealand Branch (the Branch) is registered to carry on inward reinsurance business in New Zealand as a foreign company, Münchener Rückversicherungs-Gesellschaft AG, which is domiciled and incorporated in Germany. The Branch is a reporting entity in terms of the Financial Markets Conduct Act 2013 and the financial statements have been prepared in accordance with the requirements of that Act and the Financial Reporting Act 2013.

With the introduction of the Insurance (Prudential Supervision) Act 2010 (IPSA), all insurers carrying on insurance business in New Zealand are required to be licensed by the Reserve Bank of New Zealand (RBNZ). The Company was granted a full license on 2 April 2013. These financial statements have also been prepared in accordance with the IPSA.

The Branch's principal place of business is Level 22, PwC Tower, 15 Customs Street West, Auckland Central, Auckland.

**1.2. Basis of presentation**

**(a) Statement of compliance**

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

The Branch ceased trading from 1 January 2019. The Directors have taken this into account and the financial statements will continue to be prepared on a going concern basis until such a time as the Directors determine the Insurance licence is no longer necessary. The cash & cash equivalents balance of \$1000 has been recognized as 'continuing operations'.

The financial statements were authorised for issue by the Directors on March 2021.

**(b) Basis of measurement**

The financial statements are prepared on a fair value basis except for the following items, which are measured on an alternative basis at each reporting date.

Items	Note	Measurement basis
Outstanding claims liabilities	4.3	Present Value
Reinsurance recoveries	4.2	Present Value

**(c) Functional and presentation currency**

These financial statements are presented in New Zealand Dollars, which is the Branch's presentation and functional currency.

**(d) Rounding**

Amounts in the financial statements have been rounded off to the nearest thousand dollars unless otherwise stated.

**1.3. Use of judgments and estimates**

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the Branch's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. There are no critical accounting estimates and judgements applied during the year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### **Section 2. Financial performance**

#### **2.1. Revenue from operating activities**

##### ***Summary of significant accounting policies***

Revenue is recognised to be the amount of the transaction price when (or as) the performance obligation of a contract is satisfied. The Branch recognises revenue when it transfers control over a product or service to a customer. The Branch's activities are connected with insurance.

##### **Premium**

The earned portion of premiums received and receivable including unclosed business is recognised as revenue.

The pattern of recognition of premium revenue over the policy or indemnity periods is based on time, where this closely approximates the pattern of risk underwritten. Where time does not approximate the pattern of risk, previous claims experience has been used to derive the incidence of risk.

Premiums ceded to retrocessionaires are recognised as an expense in accordance with the pattern of retrocession service received.

##### **Interest revenue**

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

##### **Foreign currency translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Profit or Loss.

Assets and liabilities expressed in other currencies are translated to the functional currency using the closing exchange rate at the reporting date and income and expenses are translated at the spot rate at the time of the transaction. Realised and unrealised foreign exchange gains and losses resulting from this translation are recognised in the Profit or Loss.

#### **2.2. Expenses from operating activities**

##### ***Summary of significant accounting policies***

##### **Claims expenses**

Claims incurred expense and a liability for outstanding claims are recognised in respect of the inwards reinsurance business. The liability covers claims incurred but not yet paid, incurred but not reported (IBNR), incurred but not enough reported (IBNER) and the anticipated direct costs and, where material, indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims which is affected by factors arising during the period to settlement such as normal inflation and superimposed inflation. The expected future payments are then discounted to a present value at the reporting date using a discount rate. A risk margin is added to the outstanding claims provision to increase the probability that the liability is adequate at an adequacy level deemed appropriate by the management and set at a minimum adequacy level of 75%.

Due to the accounting reorganisation on 1 January 2019 the outstanding claims liabilities are nil at 31 December 2020.

##### **Retrocession and other recoveries**

Retrocession recoveries are assessed regularly and expected future recoveries are estimated on the same basis as the liability for outstanding claims. The expected future recoveries are then discounted to a present value at the reporting date using a discount rate. A risk margin is added to the outstanding recoveries receivable to increase the probability that the receivable is at an adequacy level deemed appropriate by the management and set at a minimum adequacy level of 75%.

Due to the accounting reorganisation on 1 January 2019 the outstanding reinsurance recoveries are nil at 31 December 2020.

##### **Reinsurance commissions and acquisition costs**

The incurred portion of reinsurance commissions paid and payable including unclosed business is recognised as an expense.

A portion of direct acquisition costs relating to unearned premium revenue is deferred where it represents future benefits to the Branch and can be reliably measured. Deferred acquisition costs are stated at the lower of cost and recoverable amount. Deferred acquisition costs are amortised over the financial years expected to benefit from the expenditure.

Due to the accounting reorganisation on 1 January 2019 the outstanding commissions and deferred acquisition costs are nil at 31 December 2020.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 2.3. Income taxes

#### (a) Amounts recognised in profit or loss

Due to the accounting reorganisation on 1 January 2019 nil recognition for income tax in the profit and loss.

#### (b) Movement in deferred tax balances

2020	Net balance at 1 January \$'000	Movement \$'000	Net balance at 31 December \$'000
Accrued expenses	-	-	-
Reduction in carry forward tax loss	-	-	-
Deferred acquisition costs	-	-	-
Insurance provision	-	-	-
Internal accounting reorganisation	-	-	-
<b>Net deferred tax asset / (liability)</b>	<b>-</b>	<b>-</b>	<b>-</b>

2019	Net balance at 1 January \$'000	Movement \$'000	Net balance at 31 December \$'000
Accrued expenses	3	(3)	-
Carry forward tax loss	-	-	-
Deferred acquisition costs	(503)	503	-
Insurance provision	152	(152)	-
Internal accounting reorganisation	348	(348)	-
<b>Net deferred tax asset</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Summary of significant accounting policies

#### Income tax

The income tax expense calculated using the national income tax rate is the tax payable on the current period's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The tax rates are applied to the cumulative amounts of deductible and assessable temporary differences to measure the deferred tax asset or liability. Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred tax assets are also recognised for unused tax losses only if it is probable that future taxable amounts will be available to utilise those losses.

Due to the accounting reorganisation on 1 January 2019 there are no current or deferred income taxes applicable to the Branch at 31 December 2019.

### 2.4. Net incurred claims

Due to the accounting reorganisation on 1 January 2019 net incurred claims are nil.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### **Section 3. Capital and balance sheet management**

#### **3.1. Cash and cash equivalents**

##### **(a) Cash and cash equivalents balances**

	2020 \$'000	2019 \$'000
Cash at bank	1	1
<b>Total cash and cash equivalents</b>	<b>1</b>	<b>1</b>

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

	2020 \$'000	2019 \$'000
Profit/(loss) from operating activities after income tax	-	-
<i>Adjustments for:</i>		
Net (gain)/loss on sale of investments	-	-
Interest income	-	-
Investment management expenses	-	-
<i>Movements in:</i>		
Outstanding premiums	-	14,847
Retrocession recoveries	-	16,746
Other receivables	-	3,669
Current tax	-	121
Withholding tax	-	(134)
Deferred tax	-	(2,563)
Deferred acquisition costs	-	1,797
Payables	-	(29,918)
Outstanding claims	-	(109,038)
Unearned premium	-	(13,744)
<b>Net cash flows from operating activities</b>	<b>-</b>	<b>(118,216)</b>

#### **Summary of significant accounting policies**

Cash flows arising from general underwriting activities are presented on a gross basis. Balances are settled on a net basis when the right to offset allows.

There are no cash balances held that are not available for use in normal operations.

#### **3.2. Risk management policies and procedures**

The financial condition and operating results of the Branch are affected by a number of key financial and non-financial risks. Risk management is the process of identifying, analysing, controlling, monitoring, and reporting risks that could have a material impact on the operations of the Branch. Insurance risk involves the consideration of the market, product design, pricing, underwriting, claims management and valuation risk. The Branch's disclosed objectives and policies in respect of managing these risks are set out in the remainder of this note.

##### **a) Risk management framework**

Through its insurance operations the Branch is exposed to financial risks such as credit risk, liquidity risk and market risk. The Branch's risk management framework seeks to minimise the potential adverse effects of these risks on its financial performance.

The key objective of the Branch's financial management strategy is to ensure sufficient liquidity is available at all times to meet its financial obligations, including settlement of insurance liabilities, and to optimise the Branch's investment returns.

##### **b) Financial risks**

###### *i. Credit risk*

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

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

- A mandate is in place which limits all investments to New Zealand dollar denominated bonds or deposits issued by the New Zealand Government, the New Zealand Local Government Funding Agency or one of the major New Zealand banks.
- Premium paid by cedants are paid net of commission so that no commission liability exists until a premium is paid. Additionally claim payments may be deferred where there are outstanding client balances.
- Reinsurance is held with highly rated group entities only.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

### 3.2. Risk management policies and procedures (*continued*)

#### b) *Financial risks (continued)*

The carrying amounts of financial assets represent the maximum credit exposure. The table below provides information regarding the maximum exposure to credit risk for the components of the Statement of Financial Position.

	2020 \$'000	2019 \$'000
Cash and cash equivalents	1	1
Reinsurance recoveries	-	-
Other receivables	-	-
<b>Total</b>	<b>1</b>	<b>1</b>
Grade 1-3 (Standard & Poor's A- to AAA)	1	1
Grade 4-5 (Unrated or Standard & Poor's BB+ to BBB+)	-	-
<b>Total</b>	<b>1</b>	<b>1</b>

The New Zealand bank account remains open with NZD 1,000 in the bank account to ensure that the Branch does not breach the NZ minimum capital requirements for licensed entities.

#### ii. *Liquidity risk*

Liquidity risk is the risk of there being insufficient cash resources to meet payment obligations without affecting the daily operations of the financial condition of the Branch.

As at 31 December 2020, the Branch does not have any financial liabilities as all such liabilities were transferred to MRAU effective 1 January 2019 during the internal accounting reorganisation.

#### iii. *Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The following policy is in place to mitigate the Branch's exposure to market risk:

- The Branch manages its risk within an Asset and Liability Management (ALM) framework. The ALM framework forms an integral part of the risk management framework and ensures the Branch maintains financial assets which minimise the risk of interest rate movements resulting in a mis-match between the value of the assets and the liabilities.
- The Branch does not trade in derivatives or use derivatives to manage exposures to interest rate risk, foreign currency risk and other price risk.

#### Interest rate risk

The Branch has determined that all assets held are assets backing reinsurance contract liabilities. The investment income of the Branch will decrease as interest rates decrease. This is offset to an extent by corresponding changes in the market value of fixed interest investments. The impact on profit and shareholder equity will be minimal for investment assets backing most reinsurance contract liabilities, as the asset and liability profiles are closely matched.

Ignoring taxation impacts, at 31 December 2020 an increase or decrease in the interest rates of 1% would have no material impact on profit and equity due to the internal accounting reorganisation effective 1 January 2019 (2019: Increase \$Nil, Decrease \$Nil).

#### Currency risk

The Branch operates in New Zealand but at times has some incidental international reinsurance exposures. Assets are maintained in the local currency only to match all expected liabilities. Hence the Branch's currency risk is not considered to be of a material nature.

#### Other price risk

The Branch does not trade derivatives or hold equity securities in any entity, therefore there is no material exposure to other price risk.

#### c) *Non-financial risks - insurance*

##### i. *Risk management objectives and policies for risk mitigation*

Insurance risks are controlled through the use of underwriting procedures, adequate premium rates, policy charges and sufficient reinsurance arrangements, all of which are managed through a Board approved governance structure. Controls are also maintained over claims management practices to assure the correct and timely payment of reinsurance claims.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**3.2. Risk management policies and procedures (*continued*)**

**Underwriting and claims management procedures**

Underwriting procedures are documented and include limits to delegated authorities and signing powers. Strict claims management procedures ensure the timely and correct payment of claims in accordance with treaty conditions.

*ii. Concentrations of insurance risk*

Due to the reorganisation of all business to MRAU, the Branch does not have any concentrations of insurance risk

*iii. Claims development*

Due to the accounting reorganisation on 1 January 2019 the net undiscounted outstanding claims are nil.

**3.3. Capital management**

A New Zealand bank account remains open with a balance of NZD 1,000 in the bank account to ensure that the Branch does not breach the NZ minimum capital requirements for licensed entities.

**3.4. Solvency of licensed entity**

The Company is the entity licensed by the RBNZ to conduct insurance business in New Zealand. The 31 December 2020 solvency disclosures calculated in accordance with the Company's home jurisdiction in €'000 are as follows:

	2020 €'000	2019 €'000
Aggregate Actual Solvency capital	46,425,578	48,427,930
Aggregate Minimum solvency requirement	8,631,188	7,889,173
Aggregate Solvency margin	19,180,417	17,531,495
Aggregate Solvency ratio	242%	276%

The solvency figures shown above for MR-AG are prepared in accordance with Solvency II's Quantative Reporting Template (QRT).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### **Section 4. Other assets and liabilities**

##### **4.1. Deferred acquisition costs**

	2020 \$'000	2019 \$'000
<b>Reconciliation of movement in deferred acquisition costs</b>		
Balance at 1 January	-	1,798
Costs deferred in financial year	-	-
Internal accounting reorganisation	-	(1,798)
<b>Balance at 31 December</b>	-	-

##### **4.2. Reinsurance and other receivables**

<b>Reconciliation of movement in reinsurance and other receivables</b>		
	2020 \$'000	2019 \$'000
Balance at 1 January	-	31,713
Recoveries expense	-	-
Movement in receivables	-	-
Movement in accrued income	-	-
Internal accounting reorganisation	-	(31,713)
<b>Balance at 31 December</b>	-	-

##### **Summary of significant accounting policies**

Receivables are initially recognised at fair value and subsequently measured at amortised cost less a provision for doubtful debts. The collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Branch will not be able to collect all amounts that are due in accordance with the original terms of the receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the effective interest rate.

##### **4.3. Gross outstanding claims**

<b>Reconciliation of movement in discounted gross outstanding claims liability</b>		
	2020 \$'000	2019 \$'000
Balance at 1 January	-	109,038
Inwards reinsurance claims expense	-	-
Claim payments during the year	-	-
Internal accounting reorganisation	-	(109,038)
Foreign exchange (gains)/losses	-	-
<b>Balance at 31 December</b>	-	-

##### **Summary of significant accounting policies**

Provision is made at the end of the year for the estimated cost of claims incurred but not settled at reporting date. These reserves include estimates for reported claims, IBNR, and IBNER, and include estimates of expenses associated with processing and settling these claims.

The process of establishing reserves is subject to considerable variability as it requires the use of informed estimates and judgments. These estimates and judgments are based on numerous factors, and may be revised as additional experience and other data become available or as regulations change.

Outstanding claims liability is estimated by class of business. Historical experience and other statistical information are used to estimate the ultimate claim costs.

Due to the accounting reorganisation on 1 January 2019 the outstanding claims liabilities are nil at 31 December 2020.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**4.4. Unearned premium**

	2020 \$'000	2019 \$'000
<b>Unearned premium – current</b>	-	-
<b>Reconciliation of movement in unearned premium</b>		
Balance at 1 January	-	13,744
Deferral of premium on contracts written in the period	-	-
Earning of premium written	-	-
Internal accounting reorganisation	-	(13,744)
<b>Balance at 31 December</b>	-	-

**4.5. Liability adequacy test**

The liability adequacy test has historically been conducted using the net central estimate of the present value of expected future cash flows.

Due to the accounting reorganisation on 1 January 2019 the future premium liabilities are nil at 31 December 2020.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### Section 5. Significant actuarial methods and assumptions

Due to the accounting reorganisation on 1 January 2019 the outstanding claims liabilities are nil and therefore actuarial methods and assumptions are not provided.

### Section 6. Other notes

#### 6.1. Related parties

##### (a) Terms and conditions

All related party transactions were made on normal commercial terms and conditions and at market rates (including market rental rates).

##### Transactions with related parties;

Münchener Rückversicherungs-Gesellschaft AG (MR-AG)  
Munich Reinsurance America (MR-AM)  
Munich Re of Malta p.l.c. (MRoM)  
Munich Holdings of Australasia Pty Ltd (MHA)  
Munichre New Zealand Service Limited (NZS)  
MEAG Munich ERGO (ME-AG)  
Great Lakes Insurance SE (New Zealand Branch) (GLN)  
Munich Reinsurance Company Australian Branch (MRAu)

The table below lists the transactions with the subsidiaries and controlled entities of the Munich Re group as shown above.

	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2020 \$	2019 \$	2020 \$	2019 \$
<b>Outwards reinsurance expense:</b>				
<b>MR-AM</b>				
Internal reorganisation – reinsurance recoveries	-	(16,745,646)	-	-
Deposit retained	-	15,000,000	-	-
<b>MRoM</b>				
Transactions with tax group relating to tax sharing and funding agreement:				
<b>NZS</b>	-	11,316	-	-
<b>Internal accounting organisation:</b>				
<b>MRAu</b>				
Internal reorganisation - outstanding claims	-	49,343,866	-	-
Internal reorganisation - premium expense	-	109,037,707	-	-
Internal reorganisation - unearned premium	-	(14,846,841)	-	-
Internal reorganisation - tax related	-	13,744,425	-	-
Internal reorganisation - other	-	2,440,807	-	-
Internal reorganisation - DAC	-	134,205	-	-
Internal reorganisation – cash	-	(1,798,434)	-	-
Internal reorganisation – payables	-	(167,560,243)	-	-
	-	14,918,332	-	-
<b>Inwards reinsurance with related PIRI business:</b>				
<b>GLN</b>				
Premium (payable) / receivable net of commission	-	679,369	-	-
Deposit retained	-	(3,669,537)	-	-

No provision for doubtful debts has been raised by the Branch in relation to any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

#### 6.2. Remuneration of auditors

As a result of the internal accounting reorganisation to Munich Reinsurance Company Australian Branch (MRAu), the Branch no longer incurs a separate audit fee. The audit fee is included within an overall fee and recognized within MRAu.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**6.3. Events occurring after the reporting date**

The Directors are not aware of any other matter or circumstances that have arisen since the end of the financial year which significantly affects or may significantly affect the operations of the Branch, the results of its operations or the state of affairs of the Branch in future financial years.

**6.4. Other significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

**Goods and Services Tax**

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

**6.5. New standards and interpretations not yet adopted**

The following accounting standards and interpretations were issued but are not yet mandatory and have not been adopted by the Branch for the financial year ended 31 December 2020.

An assessment of the impact of the new or amended standards is set out below:

**NZ IFRS 17 'Insurance Contracts'**

NZ IFRS 17 was released in August 2017. It 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 contracts and a Variable Fee Approach for direct participating contracts. In addition, the level of contract aggregation is likely to be lower than that under current practices. The standard is not mandatory until 1 January 2023 for the Branch. The Branch has no in-force businesses from 1 January 2019 therefore the standard is expected to have no impact on the Branch's financial statements.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Directors' declaration**

The Directors are pleased to present the financial statements of Munich Reinsurance Company – New Zealand Branch (the "Branch") for the year ended 31 December 2020.

In the opinion of the Directors of Munich Reinsurance Company, the financial statements and notes of the New Zealand Branch on pages 3 to 21:

- (a) comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Branch as at 31 December 2020 and the results of its operations and cash flows for the year ended on that date; and
- (b) have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgments and estimates.

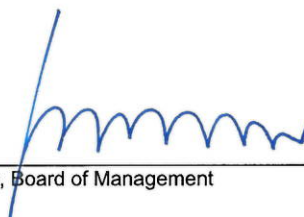
The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Branch and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

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

Signed in Munich on **12 April** 2021 in accordance with a resolution of the directors:



Member, Board of Management



Member, Board of Management



**Building a better  
working world**

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## **Independent auditor's report to the Shareholders of Münchener Rückversicherungs-Gesellschaft – New Zealand Branch**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Münchener Rückversicherungs-Gesellschaft – New Zealand Branch ("the branch") on pages 3 to 16, which comprise the statement of financial position of the branch as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the branch, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 3 to 16 present fairly, in all material respects, the financial position of the branch as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

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

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

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. We have determined that there are no key audit matters to communicate in our report.

#### **Information other than the financial statements and auditor's report**

The directors of the branch are responsible for information other than the financial statements. Other information includes the Directors' Report.



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Directors' responsibilities for the financial statements**

The directors are responsible, on behalf of the branch, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, 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 on behalf of the branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the branch or 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 International Standards on Auditing (New Zealand) 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 the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.

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

A handwritten signature in black ink, appearing to read 'Ernst P Young', is written over a light blue horizontal line.

Ernst & Young  
Sydney  
12 April 2021