New Zealand Branch of SCOR SE

Financial Report 2019

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New Zealand Branch of SCOR SE

COMPANY NUMBER 7217635

Financial Report

For the year ended 31 December 2019

QUANTUM LEAP
2019/2021

In a changing risk coverage market, QUANTUM LEAP will ideally position SCOR to create even greater value for all its stakeholders.

TWO EQUALLY WEIGHTED TARGETS

HIGH RETURN ON EQUITY
> 800 basis points over the risk-free rates over the cycle[1]
[1] Based on a 5-year rolling average of 5-year risk-free rates.

OPTIMAL SOLVENCY RATIO[2]
Between 185% and 220%
[2] Ratio of Eligible Own Funds (EOF) to Solvency Capital Requirement (SCR) calculated by the internal model.

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NZ Branch of SCOR SE
5, Avenue Kleber 75795
Paris, Cedex 16
France

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Table of Contents

BOARD AND OFFICERS 1

STATUTORY AND OTHER DISCLOSURES 2

STATEMENT OF COMPREHENSIVE INCOME 4

STATEMENT OF FINANCIAL POSITION 5

STATEMENT OF CHANGES IN EQUITY 6

STATEMENT OF CASH FLOWS 7

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 8

NOTE 1. Corporate Information 8
NOTE 2. Significant Accounting Policies 8
NOTE 3. Significant accounting judgements, estimates and assumptions 14
NOTE 4. Significant actuarial methods and assumptions 14
NOTE 5. Investment Revenue 16
NOTE 6. Life Reinsurance Contract Liabilities 16
NOTE 7. Income Tax 17
NOTE 8. Cash and Cash Equivalents 18
NOTE 9. Receivables 19
NOTE 10. Payables 19
NOTE 11. Auditor’s Remuneration 19
NOTE 12. Related Party Disclosures 20
NOTE 13. Events occurring after the Statement of Financial Position date 21
NOTE 14. Commitments, Contingent Liabilities and Contingent Assets 21
NOTE 15. Other Life Reinsurance Disclosures 21
NOTE 16. Risk Management 22
NOTE 17. Fair Values of Financial Assets and Liabilities 25

INDEPENDENT AUDITOR’S REPORT 27

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BOARD AND OFFICERS
For the year ended 31 December 2019

Principal place of business and registered office - Company Number 7217635

Principal Place of Business

C/O SCOR Global Life Australia Pty Ltd

Level 33, 1 O'Connell Street

Sydney NSW 2000

Australia

Registered Office

5 Avenue Kleber 75795

Paris, Cedex 16

France

Board of Directors of SCOR SE (all of whom have been in office throughout the year ended 31 December 2019 unless otherwise stated)

Denis KESSLER
Chairman of the Board of Directors and SCOR SE CEO

BÉRARD, Marguerite

BRÉGIER, Fabrice

DERHAN, Fiona

DE ROMANET DE BEAUNE, Augustin

FOUCART, Vincent

MARQUETTE, Vanessa

PFISTER, Bruno

RABY, Jean-marc

MALAKOFF MÉDÉRIC ASSURANCES
(Holding Malakoff Humanis since 1 JAN'20)
Represented by Thomas SAUNIER

SORENSON, Kory

TENDIL, Claude

WICKER MIURIN, Jane Fields

WANG, Zhen

Executive Officers of SCOR SE (in office throughout the year ended 31 December 2019)

Dion Crawford RUSSELL	CEO of the New Zealand Branch of SCOR SE
Iain Alastair BULCRAIG	CFO of the New Zealand Branch of SCOR SE

External Officers

Appointed Actuary	James Hickey Partner at Deloitte 225 George St | Sydney | NSW 2000 | Australia
External Auditor	Kieren Cummings Partner at Ernst & Young Australia 200 George St | Sydney | NSW 2000 | Australia

STATUTORY AND OTHER DISCLOSURES

For the year ended 31 December 2019

This report is presented on the New Zealand Branch of SCOR SE (the Branch or SCOR SE NZ) for the year ended 31 December 2019. All comparative figures for 2018 cover the year from 1 January 2018 to 31 December 2018.

SCOR SE NZ is managed by its Chief Executive Officer who ultimately reports to the SCOR Group executive management.

Principal activities

SCOR SE NZ provides solely life reinsurance services. The Branch's net profit for the year was $0.005m (2018: $0.007m).

SCOR SE, a body corporate incorporated in France, is registered on the New Zealand Overseas Company Register to carry on business in this country, under Part XVIII of the Companies Act 1993. SCOR SE was certified as an overseas Non-ASIC Company by the Registrar of Companies New Zealand on 16th of January 2019, under Section 337[1] of the Companies Act 1993. On the same date, the Reserve Bank of New Zealand (RBNZ) in its capacity of insurance regulator and industry supervisor issued the Company with a licence to carry on insurance business in New Zealand.

Economic Dependency

The Branch relies on SCOR SE Singapore Branch meeting their reinsurance obligations in order to comply with solvency requirements under the RBNZ "Solvency Standard for Life Insurance Business". The Branch's operations during the year performed as expected.

SCOR Group, intra-group reorganisation – Impact for the Branch

As a leading and innovative global reinsurer, the SCOR Group is constantly reviewing its structure, operations and product and service offerings to ensure it is best positioned to meet the needs and expectations of its clients and shareholders. In September 2016 the SCOR Group disclosed its decision to implement an intra-group reorganisation resulting in the merger of its three Societas Europaea (SE) entities - SCOR SE, SCOR Global P&C SE (SGPC) and SCOR Global Life SE - into a single SE, their parent company, SCOR SE, pursuant to the French Code of Commerce. The merger was completed on March 31, 2019 (retroactive for tax and accounting purposes to January 1, 2019).

As part of the reorganisation, the New Zealand reinsurance business of SGL was transferred to SCOR SE. The merger had no impact on the day-to-day affairs of the Branch, the management and operations of the Branch's reinsurance arrangements remained unchanged. The ratings of the SCOR Group – Standard & Poor's AA- (stable outlook), AM Best A+ (stable outlook), Moody's Aa3 (negative outlook) and Fitch AA- (stable outlook) – apply to the Branch.

Additionally, the Reserve Bank of New Zealand approved the merger, SCOR SE is now licenced to act as an insurer in New Zealand and the statutory funds of the NZ branch of SGL SE were restructured into the new entity (SCOR SE NZ) following completion of the reorganisation.

Risk management

The Branch takes a proactive approach to risk management and provides regular reporting of any key issues or risks relating to the New Zealand business to the SCOR Group's Risk Management team.

STATUTORY AND OTHER DISCLOSURES

For the year ended 31 December 2019

Significant events after the balance date

COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a "global pandemic", following the global spread of this virus in early 2020. The SCOR Group has taken stringent action to protect our employees, their families and society at large. We are closely monitoring the situation and taking proactive and appropriate actions to mitigate operational and business risks. This situation has not had any major impact on the Branch. The SCOR Group and its entities have robust risk management frameworks in place (including BCP) to ensure the continuity of business operations.

In the interval between the end of the financial year and the date of this report, other than as disclosed, no item, transaction or event of a material nature has arisen that, in the opinion of the Directors of the Company, is likely to significantly affect the operations of the Branch or the state of affairs of the entity in future financial periods.

Indemnification and insurance of directors and officers

SCOR SE has entered into a deed of access, indemnity and insurance with each Director to indemnify the Director to the extent permitted by law against certain liabilities incurred by the Director as an officer of the Company. Otherwise, no indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an officer or auditor of the Company.

No person has applied for leave of Court to bring proceedings on behalf of the Company, or intervened in any proceedings to which the Company is a party, or taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the year ended 31 December 2019.

Non-audit services provided by the Auditor (Ernst & Young - EY)

The Branch may decide to employ its auditor on assignments additional to their statutory audit duties, where the auditor's expertise and experience with the Branch is important.

The Board is satisfied that the provision of the non-audit services by the Branch auditor is compatible with the general standard of independence for auditors. The nature and scope of the non-audit service provided means that auditor independence was not compromised.

Rounding

All amounts are in New Zealand dollars, unless otherwise specified. The amounts contained in the financial report have been rounded to the nearest $1,000, unless stated to be otherwise and where noted ($'000).

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Life Reinsurance Premium Revenue		156,799	138,015
Retrocession Expense - Premium		(156,799)	(138,015)
Net Reinsurance Premium Revenue		**-**	**-**
Investment Revenue	5	8	10
Net Revenue		**8**	**10**
Life Reinsurance Claims Expense		(67,740)	(50,950)
Retrocession Recoveries - Claims		67,740	50,950
Net Claims Expense		**-**	**-**
Life Reinsurance Commission Expense		(82,007)	(39,119)
Retrocession Recoveries - Commission		82,007	39,119
Other Expenses		(1)	-
Operating Expenses		**(1)**	**-**
Movement in net Life Reinsurance Contract Liabilities	6	-	-
Profit before Income Tax		**7**	**10**
Income Tax Expense	7	(2)	(3)
Profit after Income Tax		**5**	**7**
Other Comprehensive Income net of Tax		-	-
Total Comprehensive Profit for the year		**5**	**7**

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 $'000	2018 $'000
ASSETS			
Cash and Cash Equivalents	**8**	3,427	2,922
Receivables	**9**	2,825	9,726
Ceded Life Reinsurance Contract Liabilities	**6**	(147,344)	(179,431)
TOTAL ASSETS		**(141,092)**	**(166,783)**
LIABILITIES			
Payables	**10**	2,825	9,726
Assumed Life Reinsurance Contract Liabilities	**6**	(147,344)	(179,431)
TOTAL LIABILITIES		**(144,519)**	**(169,705)**
NET ASSETS		**3,427**	**2,922**
EQUITY			
Contributed Equity		3,240	2,740
Retained Earnings		187	182
TOTAL EQUITY		**3,427**	**2,922**

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

Denis KESSLER
Chairman of the Board of Directors and
Chief Executive Officer of SCOR SE

Date: 30 June 2020

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

2019	Contributed Equity $'000	Retained Earnings $'000	Total for the year $'000
At 1 January 2019	2,740	182	2,922
Contributed Equity	500	-	500
Profit for the year	-	5	5
At 31 December 2019	3,240	187	3,427

2018	Contributed Equity $'000	Retained Earnings $'000	Total for the year $'000
At 1 January 2018	2,740	175	2,915
Contributed Equity	-	-	-
Profit for the year	-	7	7
At 31 December 2018	2,740	182	2,922

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flow from Operating Activities			
Interest received		8	10
Bank charges paid		(1)	-
Income Tax paid		(2)	(3)
Net cash flow from Operating Activities	**8**	**5**	**7**
Cash flows from Financing Activities			
Contributed Equity		500	-
Net cash flow from Financing Activities		**500**	**-**
Net increase in cash held		**505**	**7**
Cash at the beginning of the year		**2,922**	**2,915**
Cash at the end of the year	**8**	**3,427**	**2,922**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

NOTE 1. Corporate Information

SCOR SE, a company incorporated in France and listed on the Euronext Paris, is a profit-oriented entity incorporated as a French overseas company, under the New Zealand Companies Act 1993, and operating in New Zealand as a Branch.

The life reinsurance operations of the Branch consist solely of non-investment-linked business.

Non-investment-linked business is business in which a licensed entity issues a contract where the reinsured benefit is not directly linked to the market value of investments held. These benefits are payable on death, or on the occurrence of an insured event such as injury, illness or disability. The risk of the occurrence of the event, which crystallises the payment of the insured benefit, is borne by the reinsurer.

NOTE 2. Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. There have been no significant changes to accounting policies during the financial year.

a) Statement of Compliance

The financial statements of the Branch comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards as appropriate for profit-oriented entities.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

b) Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013, Companies Act 1993, Financial Reporting Act 2013, and the Insurance (Prudential Supervision) Act 2010.

For the purposes of complying with NZ GAAP, the entity is a for-profit entity.

The financial report is presented in New Zealand dollars, which is the Branch's functional and presentation currency, and all values are rounded to the nearest thousand ($000) unless otherwise stated.

The accompanying Statement of Financial Position has been prepared using the liquidity format of presentation. The financial statements provide comparative information in respect of the previous period. Certain previous period comparative information has been revised in this financial report to conform with the current period's presentation.

c) Early adoption of standards

The Branch has not elected to early adopt, in this financial report, any new standards, amendments or interpretations that are issued but not yet effective, including improvements to NZ IFRSs, for the year ended 31 December 2019.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

The Branch will apply the standards and amendments detailed below for the reporting periods beginning on the operative dates set out below. An assessment of the financial impact of the standards and amendments has been undertaken and they are not expected to have a material impact on the Branch's financial statements or accounting policies except for IFRS 17.

New accounting standards and amendments issued but not yet effective

Title	Operative Date
NZ IFRS 9, NZ IAS 39, NZ IFRS 7 Interest Rate Benchmark Reform	01-Jan-20
NZ IFRS 1, NZ IFRS 7, NZ IFRS 10, NZ IAS 26, NZ IAS 28, NZ IAS 39, FRS-44 2019 Omnibus Amendments to NZ IFRS	01-Jan-20
Amendments to NZ IFRS 3 Definition of a Business	01-Jan-20
Amendments to NZ IAS 1 and NZ IAS 8 Definition of Material	01-Jan-20
XRB A1 2019 Amendments to XRB A1 Application of the Accounting Standards Framework	01-Jan-20
2018 NZ Conceptual Framework New Zealand Equivalent to the NZ IASB Conceptual Framework for Financial Reporting	01-Jan-20
IFRS 17 Insurance Contracts	01-Jan-21
NZ IFRS 10 and NZ IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01-Jan-25

i. NZ IFRS 9 Financial Assets

The Group applies the temporary exemption from NZ IFRS 9 as permitted by the amendments to NZ IFRS 4 Applying NZ IFRS 9 Financial Instruments with NZ IFRS 4 Insurance Contracts issued in September 2016. The temporary exemption permits the Group to continue applying NZ IAS 39 rather than NZ IFRS 9 for annual periods beginning before 1 January 2021.

The Group concluded that it qualified for the temporary exemption from NZ IFRS 9 because its activities are predominantly connected with insurance. As at 31 December 2015, the Group's gross liabilities arising from contracts within the scope of NZ IFRS 4 represented 95% of the total carrying amount of all its liabilities. Since 31 December 2015, there has been no change in the activities of the Group that requires reassessment of the use of the temporary exemption.

On adoption of NZ IFRS 9, the Company has assessed the impact to be not material.

ii. IFRS 17 Insurance Contracts

The impact of IFRS 17 Insurance Contracts is still being assessed as the International Accounting Standards Board have agreed to a further deferral of the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023. A final version of the standard is expected to be finalised in the second half of calendar year 2020.

The SCOR Group have initiated Projects to evaluate the standard and measure its impact on the SCOR Group as a whole and its entities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

d) Accounting Policies

i. Life Reinsurance Premium

Premiums are recognised as revenue on an accruals basis. A provision for unearned premiums is included in the actuarial valuation of liabilities. Outstanding premiums are included as an asset in the Statement of Financial Position.

ii. Investment Revenue

All investment income is recognised as revenue on an accruals basis. Consistent with the principles of fair value accounting for investment assets, movements in the valuation of investment assets are recognised in the Statement of Comprehensive Income.

Interest income is brought to account on an accruals basis when the entity obtains the right to receive the interest income.

iii. Life Reinsurance Claims

Claims are recognised when the liability to the cedant under the reinsurance contract has been established or upon notification of the reinsured event.

Claims are treated directly as an expense when a liability to the cedant is estimated and reported to the branch.

Reserves for claims incurred but not reported, claims reported but not admitted and claims considered likely to arise are included in the actuarial valuation of reinsurance contract liabilities.

iv. Expenses

All costs are charged to operating expenses as incurred.

v. Retrocession Expense

Premiums ceded to reinsurers under retrocession contracts are recorded as an outwards reinsurance expense and are recognised over the period of indemnity of the retrocession contract in accordance with the expected pattern of the incidence of risk.

vi. Retrocession Recoveries

Reinsurance recoveries reduce gross claims and commissions expense to determine net positions. Amounts recoverable are assessed in accordance with the terms of the retrocession contracts, which is in a manner similar to the assessment of outstanding claims or commissions.

Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims or commissions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

vii. Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are measured at fair value, being the principal amount.

Statement of cash flows

The following are the definitions of the terms used in the statement of cash flows:

i. Operating activities include all transactions and other events that are not investing or financing activities.
ii. Investing activities are those activities relating to the acquisition, holding, and disposal of property, plant, and equipment and of investments.
iii. Financing activities are those activities relating to changes in the equity and debt structure of the Branch.

viii. Investments and other financial assets

Investments and financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

The Branch has determined that all assets held within the Branch are assets backing policy liabilities of the life reinsurance business. As these assets are managed on a fair value basis and are reported on this basis, they have been valued at fair value through profit or loss wherever the applicable standard allows.

Investments in financial assets are initially recognised at fair value determined as the purchase cost of the asset, exclusive of any transaction costs.

Subsequent to initial recognition, the fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques.

Such techniques include:

- using recent arm's length market transactions;
- reference to the current market value of another instrument that is substantially the same;
- discounted cash flow analysis; and
- option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

ix. Receivables

Receivables are recognised initially at fair value. Receivables related to technical operations are recognised and carried at billed amount. No amounts have been provided for any uncollectible amounts.

Interest income is brought to account on an accruals basis when the entity obtains the right to receive the interest income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

x. Payables

These amounts represent liabilities for goods and services provided to the Branch prior to the end of the year, which are unsettled. Payables are generally recognised at fair value.

xi. Life Reinsurance Contract Liabilities

Life Reinsurance Contract Liabilities in the Statement of Financial Position and the increase or decrease in policy liabilities in the Statement of Comprehensive Income have been calculated in accordance with the New Zealand Society of Actuaries Professional Standard No. 20 – Determination of Life Insurance Policy Liabilities ('PS20'). Life reinsurance contracts are accounted for in accordance with the requirements of NZ IFRS 4 Insurance Contracts.

The policy liabilities are calculated on a best estimate basis. Under PS20 the policy liability is required to provide for:

i. Best Estimate Liabilities
ii. The value of future expected profit margins to be released as services are provided

The policy liability is calculated using an accumulation approach as permitted under PS20 and comprises the following:

i. Unearned premium reserve
ii. Outstanding claim reserves
iii. Deferred acquisition costs (asset or negative liability)

Deferred Acquisition Costs (DAC) are determined from initial commission payments using a methodology that amortises the DAC according to the present value of future gross margins (premiums less renewal commissions, claims and maintenance expenses).

The measurement of life reinsurance contract liabilities is subject to actuarial assumptions. Assumptions made in the calculation of the life reinsurance contract liability at each reporting date are based on best estimates at that date. Best Estimate Assumptions must be made about the future cost of the risks accepted and services provided, including probabilities of occurrence, having regard to available statistical and other evidence subject to any requirements in PS20. The assumptions used in the calculation of the life reinsurance contract liabilities are reviewed at each reporting date. The assumptions are reviewed against the entity's own experience and management practices, published information on industry experience and emerging trends (both in New Zealand, and where relevant, overseas) and professional standards. A summary of the significant actuarial methods and assumptions used is contained in NOTE 4.

xii. Taxes

Current tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position balance date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 in the financial statements and the corresponding tax base of those items.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates that are expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities.

Deferred tax, including amounts in respect of life reinsurance contracts, is not discounted to present value.

Income tax expense

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

xiii. Other Taxes

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 balance sheet.

xiv. Allocation of Operating Results

All of the operating result is allocated to the Branch. There are no participating policy owners.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

NOTE 3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue, and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Policy liabilities arising from life reinsurance contracts are calculated at each reporting date using mathematical and statistical models. The valuations are prepared by appropriately qualified and experienced actuaries based on internationally recognised actuarial methods set out in Professional Standards issued by the New Zealand Society of Actuaries, a full member of the International Actuarial Association. The methodology considers the risks and uncertainties of the particular classes of business written.

The key factors that affect the estimation of these liabilities are:

- The cost of providing benefits and administering these contracts;
- Mortality and morbidity experience on life reinsurance products;
- Persistency experience, which affects the entity's ability to recover the cost of acquiring new business over the lives of the contracts;
- Retrocession arrangements in place;
- Other factors such as regulation, competition, interest rates, the performance of the capital markets and general economic conditions affect the level of these liabilities.

The uncertainties surrounding these assumptions mean that it is likely that the actual observed claims incidence will vary from the liability estimated at the reporting date.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

NOTE 4. Significant actuarial methods and assumptions

According to section 77(1) of the Insurance (Prudential Supervision) Act 2010, the Appointed Actuary, Mr James Hickey, Deloitte, must review the actuarial information in, or used in the preparation of, the financial statements. The Appointed Actuary is satisfied as to the accuracy of the data from which the policy liabilities have been determined. The effective date of the Appointed Actuary's advice and of the policy liabilities and solvency reserves calculation is 31 December 2019.

a) Appointed Actuary's opinion

Senior management receives a Financial Condition Report (FCR) annually from the Appointed Actuary of the Branch in accordance with the Insurance (Prudential Supervision) Act 2010. The purpose of the FCR is to provide the Appointed Actuary's objective assessment of the Branch's overall financial condition. It considers, among other things, the material risks

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

facing the Branch that, in the Appointed Actuary's opinion, pose a threat to its ability to remain financially solvent now and in the future.

b) Actuarial Assumptions

The Accumulation method of valuation is used for SCOR SE NZ product groups (i.e. Retail Lump Sum Risk and Retail Disability Income).

Systematic release of planned margin is achieved through the calculation of Deferred Acquisition Costs. Profit carriers are implicit in the Accumulation method used.

Allowance has been made for Incurred But Not Reported claims (IBNR), Reported But Not Admitted claims (RBNA), Admitted But Not Paid claims (ABNP), Disability income Claims In the Course of Payment (CICP), and Unearned Premium Reserves (UPR).

Best estimate claim assumptions are primarily based on actual experience observed on the reinsured portfolio.

Best estimate lapse assumptions are primarily based on actual experience observed by underwriting year and policy duration with adjustments to recognise the lapse experience is not yet fully developed for all policy years.

c) Impact of Changes in Assumptions

The 31 December 2019 claim assumption has increased from a loss ratio of 38.7% to 48.1% (2018: 36.6% to 38.7%).

d) Sensitivity Analysis

The Branch conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables that affect profits. The valuations included in the reported results are the Branch's best estimate of future performance and are calculated using certain assumptions about these variables. The movement in any key variable will affect the performance and net assets of the Branch and as such represents a risk.

The following table illustrates the sensitivity of the current year possible changes in key assumptions as at 31 December 2019.

Assumption	Impact on Gross Future Profits $'000	Impact on Gross Policy liability $'000	Impact on Profit after Tax and Equity $'000
10% Increase in Mortality and Morbidity	Decrease of 6,262	Increase of 1,484	-
10% Increase in Lapses	Increase of 1,271	-	-
10% Increase in Maintenance Expenses	Increase of 1,602	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

NOTE 5. Investment Revenue

	2019	2018
	$'000	$'000
Interest, Dividend and Other Revenue:		
Interest Income from Cash and Cash Equivalents	8	10
Total Investment Revenue	**8**	**10**

NOTE 6. Life Reinsurance Contract Liabilities

	2019	2018
	$'000	$'000
Assumed Life Reinsurance Contract Liabilities	(147,344)	(179,431)
minus Ceded Life Reinsurance Contract Liabilities	(147,344)	(179,431)
Net Life Reinsurance Contract Liabilities	**-**	**-**

	2019	2018
	$'000	$'000
Movement in Life Reinsurance Contract Liabilities		
Assumed Life Reinsurance Contract Liabilities	(32,087)	(35,044)
minus Ceded Life Reinsurance Contract Liabilities	(32,087)	(35,044)
Movement in Net Life Reinsurance Contract Liabilities	**-**	**-**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

NOTE 7. Income Tax

The following disclosures reflect the current and deferred tax movements on the results of the Branch for the reporting period.

(a) Income tax (balance sheet)	2019	2018
	$'000	**$'000**
Income tax expense for the year	(2)	(3)
Income tax paid during the year	2	3
Current income tax movement	**-**	**-**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

A reconciliation of the differences between prima facie tax, calculated as 28% of the profit before income tax for the period and the actual income tax expense recognised in the Statement of Comprehensive Income for the period is as follows:

	2019	2018
	$'000	**$'000**
Profit before Income Tax	7	10
Tax (expense) at the New Zealand tax rate of 28%	(2)	(3)
Tax effect of non-taxable amounts	-	-
Tax effect of non-deductible amounts	-	-
Income tax expense	**(2)**	**(3)**
Profit after Income Tax	**5**	**7**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(c) Tax Losses

There are no unused tax losses for which a deferred tax asset has not been recognised.

(d) Taxation Basis

The principal elements for the calculation of the taxable income are as follows:

(i) Investment earnings made up of interest received
(ii) Premiums Earned
(iii) Other Income

The allowable deductions for each taxable class of business in New Zealand include:

(i) Claims Payments
(ii) Renewal Commissions
(iii) General Management Expenses
(iv) Other Expenses referable to the business (such as Management Fees)
(v) The movement in the life reinsurance contract liabilities for the period (excluding deferred acquisition costs written off)

NOTE 8. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, Cash and Cash Equivalents comprise cash available on demand and deposits held at call with financial institutions. Cash available on demand at the end of the financial period was $3.427m (2018: $2.922m).

Reconciliation of Net Profit after Income Tax to net Cash Flows from Operating Activities

	2019	2018
	$'000	**$'000**
Net Profit from Operating Activities after Income Tax	**5**	**7**
Change in Assets and Liabilities during the year		
Decrease in Sundry Debtors	6,901	123,377
Increase in Ceded Life Reinsurance Contract Liab's	(32,087)	(35,044)
Decrease in Payables	(6,901)	(123,377)
Increase in Assumed Life Reinsurance Contract Liab's	32,087	35,044
Net Cash Flow from Operating Activities	**5**	**7**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

NOTE 9. Receivables

	2019	2018
	$'000	**$'000**
Amounts due from SCOR SE - Singapore branch		
For ceded transactions	2,825	-
Outstanding Premiums	-	9,726
Total Receivables	**2,825**	**9,726**
Expected to be realised within 12 months	2,825	9,726

NOTE 10. Payables

	2019	2018
	$'000	**$'000**
Amount owed to SCOR SE - Singapore branch		
For Retrocession	-	9,726
Trade payables	2,825	-
Total Payables	**2,825**	**9,726**
Expected to be settled within 12 months	2,825	9,726

NOTE 11. Auditor's Remuneration

	2019	2018
	$'000	**$'000**
The auditor of the Branch is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- Audit of the annual financial report of the entity	23	23
	23	**23**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

NOTE 12. Related Party Disclosures

a) The Directors of SCOR SE during the year were:

- Denis KESSLER
  Chairman of the Board of Directors and SCOR SE CEO
- BRÉGIER, Fabrice
- DE ROMANET DE BEAUNE, Augustin
- MARQUETTE, Vanessa
- MALAKOFF MÉDÉRIC ASSURANCES
  (Holding Malakoff Humanis since 1 JAN'20)
  Represented by Thomas SAUNIER
- SORENSON, Kory
- WICKER MIURIN, Jane Fields
- BERARD, Marguerite
- DERHAN, Fiona
- FOUCART, Vincent
- PFISTER, Bruno
- RABY, Jean-marc
- TENDIL, Claude
- WANG, Zhen

b) Ultimate Controlling Entity:

SCOR SE is a profit-oriented entity a company, both domiciled and incorporated in France and listed on the Euronext Paris. In New Zealand, it is incorporated as a French overseas company, under the New Zealand Companies Act 1993, and operating as a Branch.

The Branch has in place a retrocession agreement with SCOR SE Singapore Branch. SCOR's Insurer Financial Strength rating with Standard & Poor's (S&P) is AA- stable outlook and the Group counterparty credit ratings is AA-/A-1+.

SCOR Group, intra-group reorganisation. In September 2016 the SCOR Group disclosed its decision to implement an intra-group reorganisation resulting in the merger of its three Societas Europaea (SE) entities - SCOR SE, SGPC and SGL - into a single SE. The merger was completed on March 31, 2019 (retroactive for tax and accounting purposes to January 1, 2019). As part of the reorganisation, the New Zealand reinsurance business of SGL SE NZ was transferred to SCOR SE, all liabilities under contracts of insurance in respect of its reinsurance business in New Zealand for the purposes of section 30(1)(b) are now liabilities of SCOR SE.

c) The following related party transactions occurred during the financial year:

	2019	2018
SCOR SE - Singapore branch	**$'000**	**$'000**
Amount owed for Retrocession		
by related parties*	2,825	-
to related parties*	-	9,726
Expenses	(7,052)	(47,946)

* The amounts are classified as receivables and payables, respectively.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

NOTE 13. Events occurring after the Statement of Financial Position date

COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a "global pandemic", following the global spread of this virus in early 2020. The SCOR Group has taken stringent action to protect our employees, their families and society at large. We are closely monitoring the situation and taking proactive and appropriate actions to mitigate operational and business risks. This situation has not had any major impact on the Branch. The SCOR Group and its entities have robust risk management frameworks in place (including BCP) to ensure the continuity of business operations.

Other

In the interval between the end of the financial year and the date of this report, other than as disclosed, no item, transaction or event of a material nature has arisen that is likely to significantly affect the operations of the Branch or the state of affairs of the entity in future financial periods.

NOTE 14. Commitments, Contingent Liabilities and Contingent Assets

SCOR SE and its subsidiaries regularly take part in judiciary and arbitration procedures, within the normal framework of their activities. However, to the best of the knowledge of the Directors of the Branch, there does not exist, on the date of approval of these financial statements, any litigation likely to have or have had in the recent past significant impact on the financial situation, the activity and operating results of the Branch.

NOTE 15. Other Life Reinsurance Disclosures

Capital requirements of the Life Entity

The Branch's main objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns and benefits for its stakeholders while maintaining the RBNZ solvency requirements.

The primary source of capital used is total equity attributable to owners. Total equity attributable to owners equates to capital as defined in the Solvency Standard. Regulatory capital is made up of two components, actual solvency capital, and minimum solvency capital with the difference representing the solvency margin. The calculation of the solvency margin for the Branch is detailed below.

The Branch satisfied all externally imposed capital requirements that it was subject to during the year ended 31 December 2019. No changes were made in the objectives, policies, or processes for managing capital during the year.

Solvency Information

Solvency requirements established by the RBNZ are in place to reinforce safeguards for policyholders' interests and primarily relate to the Branch's ability to meet future claims payments. The Branch adheres to the Solvency Standard for Life Insurance Business issued by the RBNZ in August 2011 and guidance from the New Zealand Society of Actuaries ('NZSA')

Separate to policy liabilities recognised in the balance sheet, a life reinsurer shall disclose its regulatory solvency position.

The Solvency Margin is designed to give a reasonable expectation that an entity has sufficient assets:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

- to meet its obligations to existing policyholders, including appropriate allowances for future bonuses and to creditors under a range of adverse conditions; and
- to meet its obligations to policyholders and creditors should all policies discontinue and current surrender values be paid.

These additional reserves provide a cushion against adverse experience in managing long-term risks.

The Branch's unaudited solvency return calculation results at 31 December 2019 were:

	2019	2018
	$'000	$'000
Actual Solvency Capital	3,427	2,922
Minimum Solvency Capital	2,621	1,804
Solvency Margin	806	1,119

	2019	2018
Solvency ratio	1.31	1.62

NOTE 16. Risk Management

Risk Management Framework

The Branch's activities expose it to a variety of financial and non-financial risks. As the Branch is an entity within the SCOR Group, it works within the context of the SCOR Group risk management objectives and structure.

Day to day management of the Branch is the responsibility of the Branch's Chief Executive Officer (CEO). The CEO recommends changes in the business, performance, goals, strategies, and plans of the Branch. The CEO monitors aggregate risk data and makes overall risk management decisions. The two risks with potentially the most serious outcomes are counter-party failure or inadequate capital funding. Both are deemed to be unlikely.

SCOR SE's Board of Directors (the Board) recognises that effective risk management is considered to be critical to the achievement of the Group's objectives. The Board has in place an integrated framework of controls designed to safeguard the Group's assets and interests and to ensure the integrity of its reporting. The Board requires and sets high standards of corporate governance and continually reviews its governance practices in the light of best practice. The Board has responsibility for ensuring an appropriate Risk Management Strategy is in place, for ensuring it is aligned with strategic business objectives, and for monitoring management's performance against this policy.

The Company's Risk Management Framework (RMF) is subject to periodical reviews, updated for material changes as they occur and is approved by the Board. The Branch is mainly exposed to the following categories of risks:

Categories of market risk	Definition
Insurance Risk	Risk of financial loss and inability to meet liabilities due to inadequate/inappropriate reinsurance product design, pricing, underwriting, concentration risk, reserving, claims and/or retrocession management

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Categories of market risk	Definition
Credit risk	The risk of loss to an insurer arising from a party to a contract or transaction with the insurer not being able to meet its obligations
Interest rate risk	The risk of a change in value caused by a deviation of the actual interest rates from the expected interest rates
Liquidity risk	The risk that that an insurer doesn't have access to cash at the time the need for cash arises. It can arise in relation to liabilities (e.g. claims) and assets (e.g. investments)

Insurance Risk

The life reinsurance business undertaken by the Branch involves a number of risks concerned with the pricing, acceptance, and management of the mortality, morbidity, and longevity risks accepted from policyholders.

Key objectives in managing insurance risk are:

(i) To ensure sound business practices are in place for underwriting risks and claims management; and

(ii) To ensure solvency and capital requirements are met.

Insurance risks are controlled through pricing controls, policies, and techniques, the use of underwriting procedures and adequate premium rates and policy charges. Tight controls are maintained over claims management practices to ensure the correct and timely payment of reinsurance claims.

The key processes in place to mitigate insurance risk include the following:

(i) the setting and adherence to pricing controls and policies that reflect the objective of avoiding poor risks and writing profitable business;
(ii) the setting and adherence to underwriting guidelines that determine policies and procedures for acceptance of risk;
(iii) the setting of formal claims acceptance limits and the regular review and updating of claims experience data;
(iv) the reduction in the concentration of insurance risk through diversification, the Branch aims to maintain a portfolio of policyholders with a broad spread of reinsurance risk types, ages, sexes, occupation classes and geographical locations for the individual and group risk business;
(v) the Branch enters into retrocession arrangements to manage earnings volatility from statistical variations or adverse deterioration;
(vi) the maintenance of appropriate actuarial reserves including reserves to cover claims incurred but not yet reported, reported but not admitted and reopened claims;
(vii) the identification and consistent monitoring against budget projections derived from the actuarial projections models of external variables which impact claims cash flow such as mortality and morbidity experience, claims frequency and persistency; and
(viii) managing of risk exposures using various analyses and valuation techniques to calculate the capital required under adverse risk scenarios.

Concentration of insurance risk is mitigated through diversification of risk, for example by benefit type, insurance business, and industry segments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time. The Branch is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, and other financial instruments. The Branch does not invest in derivatives.

Investments in financial instruments are only dealt with on recognised exchanges and via over-the-counter contracts. The counterparties to over-the-counter contracts are limited to companies and governments, with primarily investment grade credit ratings from a recognised credit rating agency, and are normally banks operating in New Zealand. Credit management (credit rating and credit limit controls) policies are in place to limit exposure to any one counterparty as a proportion of the investment portfolio.

Retrocession recoveries, credit risk with respect to retrocession programs is minimised by placement of cover with the Branch's parent entity or one of its branches.

There were no financial assets that are past due or impaired at balance date (2018: Nil). The credit quality of financial assets that are either past due or impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Cash and cash equivalents are represented by current accounts with major New Zealand banks. The interest rate is variable and cash is available at call.

The Branch has policies in place to ensure that services are performed for customers with an appropriate credit history and cash is held with financial institutions of high credit-worthiness.

The Branch trades only with recognised, creditworthy third parties, and therefore does not require collateral or other security to support credit risk exposures.

Concentration of credit risk

Concentration of credit risk exists if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. The concentration of credit risk on financial assets is generally the carrying amount, net of any provisions for doubtful debts.

Credit concentration analysis is based on the counterparty, industry and geographical location of the financial assets the Branch holds.

Interest rate risk

Interest rate risk is the risk of loss of Branch's earnings or capital arising from unfavourable movements in interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between different yield curves and the volatility of interest rates.

Management of risks associated with investments undertaken by the Branch, including interest rate risk, is subject to the relevant regulatory requirements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Sensitivity Analysis

The following analysis demonstrates the impact of a 100-basis point change in New Zealand interest rates, with all other variables held constant. Given the volatility experienced in the market during the last year, a movement of 100 basis points (2018:100 basis points) is considered reasonably possible and has been applied to the sensitivity analysis.

After tax profit and other comprehensive income would have been affected as follows:

		2019	2018
Impact on the Branch's result after tax		**$'000**	**$'000**
Change in interest rates of:	+ 1% (100 basis points)	27	21
	- 1% (100 basis points)	(27)	(21)

The Branch does not hold any interest bearing financial liabilities.

Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulties in meeting its debt obligations, or other cash outflows, as they fall due because of a lack of liquid assets or access to adequate funding on acceptable terms.

Prudent liquidity risk management requires the maintenance of sufficient cash and access to funding to meet current and future obligations of the Branch. The Branch manages liquidity risk by maintaining adequate reserves and by monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities.

Economic Dependency. The Branch is reliant on SCOR SE to provide financial support to meet its business commitments. It is also noted that the Branch relies on SCOR SE to comply with the solvency requirements under the RBNZ "Solvency Standard for Life Insurance Business".

There has been no material change in the liquidity risk faced by the Branch or the policies and processes for managing the risk during the period.

NOTE 17. Fair Values of Financial Assets and Liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value of financial instruments traded in active markets is based on quoted market prices at balance date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Refer below for details of valuation methods used for each category of financial assets and liabilities.

The carrying amounts of all financial assets and liabilities reasonably approximate their fair values. The following methods and assumptions were used by the Branch in estimating the fair values of financial instruments.

(i) Cash and cash equivalents: carrying amount reasonably approximates its fair value.

(ii) The carrying values of receivables and other financial liabilities, adjusted for impairment values when applicable, reasonably approximate their fair values.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Financial Instruments of the Branch	2019	2018
	$'000	$'000
Cash and Cash Equivalents	3,427	2,922
Receivables	2,825	9,726
Total Financial Assets	**6,252**	**12,648**
Payables	2,825	9,726
Total Financial Liabilities	**2,825**	**9,726**

At balance date, the Branch had no material financial assets exposed to New Zealand variable interest rate risk (2018: nil).

Fair value hierarchy

The Branch uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

At balance date the Branch had no financial assets determined and disclosed using valuation techniques (2018: nil).

INDEPENDENT AUDITOR'S REPORT

Chartered Accountants

Independent auditor's report to the Shareholders of SCOR SE

Opinion

We have audited the financial statements of the New Zealand Branch ("the branch") of SCOR SE ("the company") on pages 4 to 26, which comprise the statement of financial position of the branch as at 31 December 2019, 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 4 to 26 present fairly, in all material respects, the financial position of the branch as at 31 December 2019 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 company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

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 company in accordance with Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and 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. Partners and employees of our firm may deal with the branch on normal terms within the ordinary course of trading activities of the business of the branch.

Emphasis of Matter: Subsequent Events – Impact of the Coronavirus (COVID-19) Outbreak

We draw attention to Note 13 of the financial statements which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 31 December 2019 and how this has been considered by the Directors in the preparation of the financial report. As set out in Note 13, no adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

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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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of Life Reinsurance Contract Liabilities

Why significant	How our audit addressed the key audit matter
The valuation methodology to estimate the life reinsurance contract liabilities adopted by the branch involves complex and subjective judgments about future events. Key assumptions used in the branch's model to determine the value of the life reinsurance contract liabilities include: • The cost of providing benefits and administering these contracts; • Mortality and morbidity experience on life reinsurance products; • Persistency experience; • Retrocession arrangements in place; • Other factors e.g. regulation, competition, interest rates. These assumptions, along with policy information, are used as inputs to the branch's model to calculate the life reinsurance contract liabilities. This was a key audit matter due to the degree of judgment and estimation uncertainty associated with the valuation. Disclosures in relation to Life Reinsurance Contract Liabilities are included in Note 6 to the financial statements.	Our audit procedures included the following in the evaluation of the valuation of life reinsurance contract liabilities: • Obtained an understanding of the policyholder liability process inclusive of relevant controls over assumptions and policy information used as inputs into the branch's model. • Examined the methodology, assumptions and results of the branch's determination of the life reinsurance contract liability. • Examined the results of calculations, the process followed, and checks carried out by the branch. Where appropriate we involved our life insurance actuarial specialists in the above procedures and the overall assessment of the valuation methodology, key assumptions and models deriving the valuation of the life reinsurance contract liabilities. We assessed the adequacy of the related financial statements disclosures.

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Information other than the financial statements and auditor's report

The directors of the company are responsible for the Annual Report, which includes information other than the financial statements and auditor's 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 entity, 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 entity 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.

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

Ernst & Young

Ernst & Young
Chartered Accountants
Sydney
30 June 2020