Partners Life Limited

Annual Report & Financial Statements

For the year ended 31 March 2021

partnersLIFE

Approval of Annual Report

The Board of Directors ('the Board') are pleased to present the annual report, including the financial statements of Partners Life Limited ('the Company') for the year ended 31 March 2021.

For and on behalf of the Board

J R Minto
Chairman of the Board
26 July 2021

J M G Perry
Chairman of the Audit Committee
26 July 2021

Partners Life Limited

Financial Statements

For the year ended 31 March 2021

partnersLIFE

Company Directory

AS AT 31 MARCH 2021

Nature of Business

The provision and administration of life insurance and related products, including trauma insurance, disability insurance, total and permanent disability insurance and major medical insurance.

Registered Office

Level 1, 33-45 Hurstmere Road
Takapuna, Auckland 0622

Company Number

3072505

Directors

- **J R Minto** *(Chairman)*
- **N E Ballantyne**
- **J M G Perry**
- **T O Bennett**
- **M O Chee** (appointed 25 February 2021)
- **P Chrystall**
- **J A Fahey**
- **K K Moorjani** *(resigned 25 February 2021)*
- **L D Parikh** *(resigned 15 April 2021)*
- **S M Ruha** *(appointed 14 May 2020)*
- **D E Kearns** *(alternate director for M O Chee; appointed 25 February 2021)*
- **K Y See** *(alternate director for L D Parikh, resigned 15 April 2021)*

Auditor

KPMG
18 Viaduct Harbour Avenue,
Auckland, 1010

Bankers

Westpac New Zealand Limited
16 Takutai Square,
Auckland, 1010

Solicitors

Chapman Tripp
23 Albert Street,
Auckland, 1140

Statement of Comprehensive Income

For the year ended 31 March In thousands of New Zealand Dollars	Note	2021	2020
Premium revenue			
Premium revenue	8	325,880	286,814
Less: Outward reinsurance expense	8	(178,542)	(162,906)
Net premium revenue		**147,338**	**123,908**
Reinsurance commission revenue	9	40,392	97,772
Investment revenue	10	1,751	2,417
Other revenue		-	44
Net revenue		**189,481**	**224,141**
Claims expense			
Claims expense	11	146,900	162,417
Less: Reinsurance recoveries	11	(78,017)	(93,274)
Net claims expense		**68,883**	**69,143**
Net movement in insurance contract assets and liabilities	14	(58,377)	(75,470)
Commission and operating expenses	12	159,310	174,832
Total expenses including movement in insurance contracts		**169,816**	**168,505**
Operating profit		**19,665**	**55,636**
Finance costs	22	91	113
Profit before income tax		**19,574**	**55,523**
Income tax expense	13	-	-
Total comprehensive income	**1**	**19,574**	**55,523**

Underlying insurance profit (non-statutory measure)	Note	2021	2020
Total comprehensive income		**19,574**	**55,523**
Less:			
Investment and other revenue		(1,751)	(2,461)
Changes to economic assumptions	6	10,800	(21,479)
Business transaction costs	21	2,562	-
Underlying insurance profit	**1**	**31,185**	**31,583**

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

Statement of Financial Position

As at 31 March In thousands of New Zealand Dollars	Note	2021	2020
Assets			
Cash and cash equivalents	10	13,281	54,522
Trade and other receivables	15	79,120	66,336
Investments	16	154,871	43,630
Loans	17	-	372
Insurance contract assets	14	867,783	895,153
Property, plant and equipment	18	2,437	2,859
Intangible assets	19	12,215	11,107
Total Assets		**1,129,707**	**1,073,979**
Liabilities			
Trade and other payables	20	145,572	103,061
Lease liabilities	22	2,146	2,843
Insurance contract liabilities - reinsurance	14	140,113	180,386
Present value of future tax payable in insurance contract assets and liabilities	14	241,224	286,698
Total Liabilities		**529,055**	**572,988**
Net Assets		**600,652**	**500,991**
Equity			
Contributed capital	27	394,540	314,453
Retained earnings		206,112	186,538
Total Equity		**600,652**	**500,991**

For and on behalf of the Board who authorised the issue of this report on 26 July 2021.

J R Minto
Chairman of the Board

J M G Perry
Chairman of the Audit Committee

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

Statement of Changes in Equity

For the year ended 31 March In thousands of New Zealand Dollars	**Note**	**Contributed capital**	**Retained earnings**	**Total Equity**
Balance at 1 April 2020		**314,453**	**186,538**	**500,991**
Total comprehensive income		**-**	**19,574**	**19,574**
Transactions with owners of the Company				
Shares issued	27	77,600	-	77,600
Equity settled share based payments	27,28,29	2,487	-	2,487
Total transactions with owners of the Company		**80,087**	**-**	**80,087**
Balance at 31 March 2021		**394,540**	**206,112**	**600,652**
Balance at 1 April 2019		**309,687**	**131,015**	**440,702**
Total comprehensive income		**-**	**55,523**	**55,523**
Transactions with owners of the Company				
Shares issued	27	1,500	-	1,500
Equity settled share based payments	27,28,29	3,266	-	3,266
Total transactions with owners of the Company		**4,766**	**-**	**4,766**
Balance at 31 March 2020		**314,453**	**186,538**	**500,991**

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

KPMG

Statement of Cash Flows

For the year ended 31 March In thousands of New Zealand Dollars	Note	2021	2020
Cash flows from operating activities			
Premiums received		326,229	286,775
Reinsurance recoveries received		69,823	67,769
Reinsurance commission received		52,954	81,804
Interest received		1,457	3,998
Other revenue		-	44
Reinsurance premiums paid		(173,720)	(157,204)
Claims paid		(130,618)	(133,373)
Commission paid to advisers		(90,086)	(115,354)
Payments to suppliers and employees		(57,731)	(58,933)
Net cash flow from operating activities	**25**	**(1,692)**	**(24,474)**
Cash flows from investing activities			
Net decrease in loans to advisers	17	470	665
Net increase in receivables from group companies		67	(26)
Net advances to related parties		36	-
Net proceeds from / (acquisitions of) investments	16	(111,632)	58,293
Net acquisition of property, plant and equipment	18	(436)	(331)
Net acquisition of intangible assets	19	(4,538)	(4,202)
Net cash flow from investing activities		**(116,033)**	**54,399**
Cash flows from financing activities			
Proceeds from issue of shares	27	77,600	1,500
Repayment of lease liabilities	22	(1,025)	(838)
Interest paid	22	(91)	(113)
Net cash flow from financing activities		**76,484**	**549**
Net increase / (decrease) in cash and cash equivalents		**(41,241)**	**30,474**
Cash and cash equivalents at 1 April		54,522	24,048
Cash and cash equivalents at 31 March		**13,281**	**54,522**
Being:			
On demand bank deposits		13,281	5,022
Short term bank deposits		-	49,500
Cash and cash equivalents at 31 March		**13,281**	**54,522**

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

KPMG

Notes to the Financial Statements

1. Sources of profit

For the year ended 31 March In thousands of New Zealand Dollars	Note	2021	2020
Profits emerging under the Margin on Services ('MoS') methodology were as follows:			
Planned margins of revenues over expenses		32,527	28,783
Interest on net insurance contract assets		1,324	5,592
Experience variances		(2,666)	(2,792)
Underlying insurance profit		**31,185**	**31,583**
Investment and other revenue		1,751	2,461
Changes to economic assumptions	6	(10,800)	21,479
Business transaction costs	21	(2,562)	-
Total comprehensive income		**19,574**	**55,523**

2. Reporting entity

The Company is a profit-oriented company domiciled in New Zealand and registered under the Companies Act 1993. The company is 100% owned by Partners Group Holdings Limited ('PGHL').

Financial statements for the Company for the year ended 31 March 2021 ('the financial statements') are presented. The Company is a reporting entity for the purposes of the Companies Act 1993 and the Financial Markets Conduct Act 2013, and its financial statements comply with these Acts. The Company is a licenced life insurer under the Insurance (Prudential Supervision) Act 2010 ('IPSA') and its financial statements also comply with this Act.

The annual report was authorised for issue by the Board on 26 July 2021.

3. Statement of compliance and reporting framework

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'), as a for-profit entity, and comply with International Financial Reporting Standards ('IFRS') and the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS').

4. Basis of preparation

The financial statements have been prepared on a going concern basis.

The financial statements have been prepared on a historical cost basis except for :

- Insurance contract assets and liabilities which are stated at actuarially assessed values; and
- Investments in government bonds which are designated, at inception, as at fair value through profit or loss.

Continued on Page 11 →

← Continued from Page 10 *(4. Basis of preparation)*

The Company has adopted all new and revised mandatory standards, amendments and interpretations in the current year. None had a material impact on these financial statements.

There are a number of standards, amendments and interpretations which have been approved but are not yet effective. The Company expects to adopt these when they become due for adoption, and is assessing their impact on the financial statements.

The most significant of these is NZ IFRS 17 Insurance Contracts ('NZ IFRS 17') which is, following amendments during 2020, effective for annual periods beginning on or after 1 January 2023. NZ IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued, and will supersede NZ IFRS 4 Insurance Contracts ('NZ IFRS 4'). Disclosure and measurement under NZ IFRS 17 may differ significantly from NZ IFRS 4 and as such the Company is not yet able to reasonably estimate the impact of NZ IFRS 17 on its financial statements. NZ IFRS 17 will also result in changes to presentation in the statement of financial performance and the statement of comprehensive income. The Company has progressed the analysis and assessment phase of its NZ IFRS 17 implementation project, and reached initial conclusions on technical matters. The Company is continuing to assess the impact of these conclusions, as well as the system assessment phase of the project, which will further assist in determining the impact of NZ IFRS 17 on the financial statements.

Certain disclosure formats have been adjusted and where applicable comparative figures have been aligned to the new disclosure format.

The principal accounting policies adopted are consistent with those applied in the prior year.

5. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Insurance contract assets and liabilities

Insurance contract assets and liabilities are valued using actuarial methods that take into account the risks and uncertainties of the particular classes of insurance business written *(refer note 6)*.

The key factors that affect the estimated value of the insurance contract assets and liabilities are:

- The cost of providing benefits and administering the insurance contracts.
- The costs incurred in acquiring the insurance policies (acquisition costs), including adviser commissions, underwriting and policy issue costs.
- Mortality and morbidity experience on life insurance products.
- Discontinuance experience which affects the ability to recover acquisition costs.
- Reinsurance arrangements and timing of future cash flows under these arrangements, which include reinsurance expense, reinsurance recoveries and reinsurance commission revenue.
- Future premium rates.
- Use of tax losses and the ability to generate tax losses in the future.
- Other factors such as regulation, competition, interest rates, and general economic conditions which are used in the valuation of insurance contract assets and liabilities.

Share based payments

The value of shadow shares previously issued to advisers, and share options issued to key management personnel ('KMP'), were calculated using a binomial option pricing model which uses a number of assumptions. Independent external advice was received on the volatility and risk-free rate assumptions which were applied in the model at grant date. Refer notes 28 and 29.

Continued on Page 12 →

← Continued from Page 11 *(5. Critical accounting judgements and key sources of estimation uncertainty)*

Impact of COVID-19

In the year ended 31 March 2020, the Company made specific COVID-19 assumptions around claims, lapses and premium holidays. The impacts seen over the year to 31 March 2021 were not material, with the exception of premium holidays where the uptake was greater than anticipated. However, due to the success of the premium holiday program lapse volumes were reduced leading to improved policy retention over the year.

For the year ended March 2021 the Company reviewed assumptions around the current and expected impact of COVID-19. As a result of this review an assumption of additional disability claims related to the potential economic impacts of COVID-19 for the next two years were made.

6. Actuarial methods and assumptions

An actuarial report on insurance contract assets and liabilities, as at 31 March 2021, was prepared by A Gardiner ('the Actuary'), Fellow of the New Zealand Society of Actuaries ('FNZSA'), and signed on 26 July 2021. The report was reviewed by the Appointed Actuary, A Merten, Fellow of the New Zealand Society of Actuaries, and Fellow of the Actuaries Institute Australia.

The actuarial report indicates that the Actuary was satisfied as to the accuracy of the data upon which the insurance contract assets and liabilities have been determined and the level of additional reserves for claims (net of reinsurance) included within Trade and other payables / Trade and other receivables.

Methods used in the valuation of insurance contract assets and liabilities

The Actuary certified that the value of insurance contract assets and liabilities, including reserves for claims, has been determined in accordance with methods and assumptions disclosed in the actuarial report and with Professional Standard No. 20 'Determination of Life Insurance Policy Liabilities' ('PS20') of the New Zealand Society of Actuaries.

Insurance contract assets and liabilities were measured as the present value of expected future cash flows plus allowances for the cost of policyholders electing to exercise various options in the future.

The profit carrier, net claims, was used as the basis on which to spread the expected future profit.

There have been no material changes to the valuation methods used in the prior year.

Actuarial assumptions used in the valuation of insurance contract assets and liabilities

a) Discount Rates

Benefits under the insurance contracts are not contractually linked to the performance of assets held. As a result, the insurance contracts were discounted for the time value of money using risk-free discount rates derived from returns on New Zealand government bonds as at the valuation date.

The risk-free rates (before tax) applied in the valuation process were monthly forward rates. Equivalent annual rates are:

For the year ended 31 March Years from valuation date	**2021**	**2020**
1	0.24%	0.29%
5	1.82%	1.11%
10	3.29%	2.14%
15	3.74%	2.68%
20	3.83%	2.83%
40	4.30%	3.83%

Continued on Page 13 →

← **Continued from Page 12** *(6. Actuarial methods and assumptions)*

b) Acquisition expenses

Acquisition expense assumptions were based on the actual acquisition expenses incurred for the year ending 31 March 2021.

c) Maintenance expenses

Maintenance expense assumptions were based on the Company's business plan for the period to 31 March 2026, allowing for new business expected. From April 2026 the unit expenses have been increased at 2.00% per annum, as per inflation.

In the year to 31 March 2020, maintenance expense assumptions, subsequent to the 5 year business plan, were that total expenses were increased each year by a similar level to previous years, and the split of acquisition/maintenance expenses was changed to be in line with a more mature business over time.

d) Taxation

The future rate of taxation is assumed to be 28%, applicable after an initial period of 111 months (31 March 2020: 87 months) during which it was assumed $303 million of existing tax losses would be utilised (31 March 2020: $189 million).

This initial period was determined by projecting cash flows from business in-force at balance date, together with cash flows from future new business the Company is expecting to write, and including the best estimate of probable use of past losses available to carry forward which reflects shareholding changes that are currently forecast to occur in future and application of loss continuity rules, including the new legislative business continuity test. This new test was enacted on 30 March 2021, with the result that losses generated from 1 April 2013 and available to carry forward as at 31 March 2020, which could have been forfeited in the future under the previous ownership continuity rules, now remain available for future utilisation (subject to the satisfying business continuity test).

Increasing the assumed tax free period by 12 months results in a $18.5 million decrease (2020: $20.8 million decrease) to present value of future tax payable (and corresponding increase to present value of future planned margins of revenue over expenses). Decreasing the assumed tax free period by 12 months results in a $19.3 million increase (2020: $21.7m increase) to present value of future tax payable (and corresponding decrease to present value of future planned margins of revenue over expenses).

e) Mortality and morbidity

Assumptions have been developed based on recent historical experience, reinsurers tables and expectations of current and expected future experience. Morbidity assumptions have been expressed as a percentage of the reinsurer's table, with the exception of medical claims and disability income claims. Medical claims have been derived from previous experience, varying by age, gender and smoker. Disability Income claims have moved from being a percentage of the reinsurer table, to being modelled using an incidence termination methodology using data from the Australian FSC07-11 ADI table. The impact of this change is included in the Model changes disclosed in the Impact of changes in assumptions table.

f) Lapses

Voluntary discontinuances were assumed to vary according to the age of the life insured and the length of time the policy has been in force, in line with the Company's expected experience taking into account other market information and matters specific to the Company.

The range of lapse rates for each related product group are tabled below.

As at 31 March Related product group	**2021**	**2020**
Life	2.34% - 15.80%	2.34% - 15.80%
Trauma	3.13% - 20.33%	3.13% - 20.33%
Total & permanent disability	2.33% - 30.53%	2.33% - 30.53%
Disability income	3.55% - 21.68%	3.55% - 21.68%
Medical	4.28% - 11.88%	4.01% - 11.21%

Continued on Page 14 →

← Continued from Page 13 *(6. Actuarial methods and assumptions)*

g) Inflation

Indexation of certain benefits (where applicable) was assumed to be 2.00% per annum (31 March 2020: 2.00% per annum), except for the calendar year 2021 where allowance was made for the rate of increase known to be applicable during that year.

The inflation rate assumption was determined on a basis consistent with the medium to long term Reserve Bank of New Zealand ('RBNZ') inflation target of between 1% and 3%. The rate assumed was 2.00% per annum (31 March 2020: 2.00% per annum).

h) Premiums

Premium rates for non-medical policies are assumed to increase by an average of 5% in October 2021. This assumption has changed from the prior year where non-medical policies were assumed to increase by an average of 6% in April 2020 followed by an average of 2% in July 2021, and 1% in July 2022, and 2023. Medical premiums are assumed to increase in line with Medical Claims inflation.

Premium increases are applied at each policy's anniversary date post the effective date of the increase.

i) Reinsurance

The cost of reinsurance is based on future expected mortality, morbidity and lapse assumptions and the commercial terms of the reinsurance treaties. The profit margins have changed primarily due to an increase in the future cost of reinsurance premiums as set by the Company's reinsurers.

Impact of changes in assumptions between 31 March 2020 and 31 March 2021

The following table shows the effect of changes in the actuarial assumptions on the present value of planned profit margins and insurance contract assets and liabilities as at, and total comprehensive income for the year ended, 31 March 2021. The effect is measured only on business in force at 31 March 2020, which remains in force at 31 March 2021.

For the year ended 31 March In thousands of New Zealand Dollars	Increase / (decrease) in the present value of future profit margins		Increase / (decrease) in Net insurance contract assets and Total comprehensive income	
	2021	**2020**	**2021**	**2020**
Assumption category				
Discount rates and indexation*	(40,093)	35,529	(11,511)	22,267
Lapses	203	(15,666)	-	-
Expenses	(49,405)	(9,745)	-	-
Tax	43,695	(18,618)	-	-
Premiums	55,777	108,693	-	-
Claims	(16,083)	(64,566)	-	-
Reinsurance	(67,839)	(47,603)	-	-
Model changes	24,806	4,229	-	-
Impact of changes in assumptions	**(48,939)**	**(7,747)**	**(11,511)**	**22,267**

** The effect of discount rates on claims reserves which do not form part of the insurance contract assets and liabilities is excluded from the table above.*

Continued on Page 15 →

← Continued from Page 14

7. Risk management

The financial condition and operating results of the Company are exposed to a number of risks, the primary risks being insurance, credit, liquidity and capital risk.

The Company's primary objective is to manage risks to minimise any potential impact on policyholders and shareholders and comply with the risk management requirements of IPSA.

A risk management strategy has been put in place to identify and control risks, and to put in place processes and procedures to mitigate risks. The Company's appetite for and exposure to risks is regularly monitored by the Board, who also oversees the control framework the Company has put in place in order to manage these risks.

The Company's Risk Committee is chartered to monitor and assess the Company's compliance with significant laws and regulations, identify key risks and initiate and monitor actions to mitigate these risks in line with the Company's Risk Management Program. This Risk Committee is chaired by an independent, non-executive director.

The Company has an Asset and Liability Management Committee ('ALCO'), which meets on a regular basis to monitor and manage financial risks. The ALCO reports to the Board on a regular basis. A Statement of Investment Policy and Objectives and Treasury Policy ('SIPO') and a Capital Management Policy, both approved by the Board, establish parameters for the management of investment assets and solvency capital.

Insurance Risk

Insurance risk is risk, other than financial risk, that is transferred from the holder of a contract to the issuer.

The Company's objectives in managing insurance risk are:

- To continuously meet internal and external solvency requirements.
- To utilise reinsurance to keep the retained portion of claims in line with the Company's risk appetite.
- To set premium rates, based on expected claims and expenses, that will ensure an appropriate return on capital.
- To maintain a sound internal control environment.

The Company takes a sustainable approach to all aspects of its product portfolio, including new business underwriting, and the management of its in-force book, regularly reviewing assumptions against experience.

A number of variables give rise to insurance risk:

- **Mortality and morbidity risk** - Higher mortality rates and/or an increased incidence and duration of illness is likely to lead to higher claims expense, reducing profit and shareholder's equity.
- **Discontinuance risk** - The impact of a change in discontinuance rates depends upon the type of contract and duration in force, but generally an increase in the discontinuance rate will reduce profit and shareholder's equity.
- **Expense risk** - An increase in the level or growth of expenses over assumed levels will reduce profit and shareholder's equity.

The table below illustrates the sensitivity of this year's profit and equity (before any compensating changes to premium rates) to changes in insurance risk variables.

As at 31 March In thousands of New Zealand Dollars	**change**	**2021**		**2020**	
		Before reinsurance	**After reinsurance**	**Before reinsurance**	**After reinsurance**
Mortality and morbidity	+10%	(47,461)	(30,510)	(41,101)	(35,175)
	-10%	10,174	3,171	8,501	2,575
Discontinuance	+10%	(6,478)	(3,829)	-	-
	-10%	-	-	-	-
Maintenance expenses	+10%	-	-	-	-
	-10%	-	-	-	-

Continued on Page 16 →

← Continued from Page 15 *(7. Risk management)*

Insurance Risk Management

a) Reinsurance

The Company has entered into reinsurance treaties ('the treaties') with SCOR SE ('SCOR') in respect of all individual risk sold, with the exception of medical benefits. Group business reinsurance and additional cover for significant event losses are with separate counterparties as set out below.

The treaties meet the definition of an insurance contract under NZ IFRS 4 as there is a significant transfer of insurance risk from the Company to SCOR through the reinsurance of an agreed percentage of insurance risks on all reinsured benefits up to automatic acceptance levels.

Further, SCOR bears lapse risk through the treaties. The treaties are designed to limit the Company's exposure to insurance risk to a level appropriate to its age and capital base.

Reinsurance premiums are paid to SCOR for benefits reinsured. A defined percentage of claims paid on reinsured benefits is recoverable from SCOR.

SCOR pays the Company a commission on the issue of new business covered by the treaties which contributes towards the costs of acquiring new insurance business in order that the Company can continue to write new business and continuously meet solvency standards.

Profits arising on the business reinsured are shared with the Company in the risk premium period. During the year the Company changed the structure of its most recent treaties with SCOR to a traditional Quota Share reinsurance treaty structure resulting in both an increase in risk transfer and cost.

Treaty terms for new business are agreed periodically. If SCOR ceases to take new business under the treaties, it remains on risk for policies previously reinsured.

The Company has entered into separate reinsurance treaties for group risk business written by the Company. There are no commissions payable or profit share arrangements under this treaty; its purpose is to limit the claims risk in respect of group risk business written.

The Company has entered into an Adverse Mortality Stop Loss Reinsurance treaty which mitigates the risk of significant losses arising from concentrations of insurance risk due to pandemic events.

The Company has entered into a Per Event Excess of Loss Reinsurance treaty which mitigates the risk of significant losses arising from concentrations of insurance risk due to a catastrophic accidental event.

Market conditions beyond the Company's control may impact the availability and cost of reinsurance. Accordingly, the Company may be forced to incur additional expenses for reinsurance or may be unable to obtain sufficient reinsurance on acceptable terms from SCOR or alternative reinsurers, in which case the Company would have to accept an increase in its exposure to insurance risk under new business, equity fund new business acquisition costs, reduce the amount of new business written or seek alternative arrangements.

b) Underwriting processes

Underwriting decisions are made in accordance with rules and procedures detailed in the Company's underwriting manual.

Such rules and procedures include limits to delegated authorities and signing powers for individual underwriters and limits over which individual cases must be referred to the Company's reinsurers for an underwriting decision.

Underwriting is monitored by the Chief Underwriter and Underwriting GMs to ensure adequate controls are in place over the various processes and the effectiveness of those controls. The Company's reinsurers and underwriting management team carry out regular audits to ensure underwriting decisions made are in accordance with rules, limits and the Company's underwriting philosophy.

c) Claims management

Claims management procedures are in place to ensure the timely and accurate payment of all valid claims in accordance with policy conditions.

The Company has established a Customer Outcomes Review Committee, comprising KMP, to which claims staff are required to refer complex or disputed claims, as well as claims which may be declined.

Continued on Page 17 →

← Continued from Page 16 (7. Risk management)

Concentration of insurance risk

Exposure to concentration of insurance risk is mitigated through surplus reinsurance provided by SCOR, which limits the Company's exposure for lump sum claims to a maximum of $0.5 million per rider per life assured.

The table below illustrates the concentration of insurance risk based on six bands of life sums assured for each client.

As at 31 March Sum Assured	2021		2020	
	Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
$0 - $250,000	8.2%	21.4%	8.6%	21.8%
$250,001 - $500,000	26.2%	78.6%	27.5%	78.2%
$500,001 - $1,000,000	42.1%	0.0%	41.1%	0.0%
$1,000,001 - $2,000,000	17.6%	0.0%	16.9%	0.0%
$2,000,001 - $5,000,000	5.4%	0.0%	5.4%	0.0%
Greater than $5,000,000	0.5%	0.0%	0.5%	0.0%
	100.0%	**100.0%**	**100.0%**	**100.0%**

Market risk

Market risk is the risk of loss arising from changes in interest rates, currency exchange and prices of equity securities. The Company is not exposed to equity price risk or currency risk as it does not hold equity securities or have any assets or liabilities denominated in foreign currencies.

The Company is exposed to interest rate risk through revaluations in its 'insurance contract assets' and 'insurance contract liabilities – reinsurance', as well as investments in New Zealand government bonds (refer note 16). Matching of New Zealand government bond maturities to 'insurance contract assets' and 'insurance contract liabilities - reinsurance' is used to minimise interest rate exposures resulting from movements in claim reserves.

The table below illustrates the sensitivity of this year's profit and equity to changes in discount rate movement at year end.

As at 31 March In thousands of New Zealand Dollars	change	2021		2020	
		Before reinsurance	After reinsurance	Before reinsurance	After reinsurance
Discount rates	+1%	(12,718)	(33,636)	(27,262)	(35,402)
	-1%	10,393	36,293	28,678	38,228

Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty to meet their contractual obligations as they relate to amounts recognised at balance date. The Company is exposed to credit risk from the investment of surplus capital, reinsurance recoverable on accrued claims, loans to advisers and trade receivables (amounts due from policyholders and advisers).

The maximum exposure to credit risk at balance date for each class of financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

Continued on Page 18 →

← **Continued from Page 17** *(7. Risk management)*

Credit risk management

The Company manages credit risk by adopting a conservative investment philosophy and spreading its exposures. The SIPO establishes minimum credit ratings and exposure limits for investment counterparties.

Surplus capital is invested in call and term deposit facilities, spread across a number of high credit quality registered banks, as well as New Zealand government bonds of various maturities *(refer note 16)*. Reinsurance credit risk is managed by considering the current and a potential reinsurer's credit quality, as evidenced by their credit rating and balance sheet strength as well as their reputation in the market for paying claims.

Loans to advisers were secured against all assets of the borrower, refer note 17. No other collateral exists for any of the investments held by the Company.

Commission recoveries due from advisers are regularly reviewed and an allowance for expected credit losses is raised. Amounts due from advisers are disclosed net of expected credit losses in Trade and other receivables.

Concentration of credit risk

Concentration of credit risk at balance date is shown in the table below:

In thousands of New Zealand Dollars		
Institution	**Aggregated credit exposure**	**Standard & Poor's credit rating**
As at 31 March 2021		
Westpac New Zealand Limited	14,706	AA-
Bank of New Zealand	14,500	AA-
ANZ Bank New Zealand Limited	40,000	AA-
ASB Bank Limited	26,024	AA-
Kiwibank Limited	16,000	A
Rabobank New Zealand Limited	25,574	A
SCOR SE	72,139	AA-
New Zealand Government	31,348	AAA

In thousands of New Zealand Dollars		
Institution	**Aggregated credit exposure**	**Standard & Poor's credit rating**
As at 31 March 2020		
Westpac New Zealand Limited	10,479	AA-
Bank of New Zealand	18,500	AA-
ANZ Bank New Zealand Limited	16,000	AA-
ASB Bank Limited	24,001	AA-
Rabobank New Zealand Limited	2,542	A
SCOR SE	61,057	AA-
New Zealand Government	26,630	AA+

Continued on Page 19 →

← Continued from Page 18 *(7. Risk management)*

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.
A reinsurer's insolvency, inability or refusal to make timely payments under the terms of its treaty with the Company could have a materially adverse effect on the Company's liquidity.

Liquidity risk management

The Company monitors liquidity risk by forecasting future daily cash requirements and ALCO regularly reviews these projections.
Liquidity risk is managed by maintaining a highly liquid portfolio of assets so that the Company has the ability to meet its financial obligations as they fall due.
The SIPO establishes a minimum holding of liquid assets, a maximum overall portfolio duration, and limits the asset classes that may be considered for investment. New Zealand government bond investment maturities are matched to expected claim reserve profiles and are tradable on an active secondary market should additional cashflow be required. Term bank deposits are structured so that investments are maturing at regular intervals to accommodate future obligations and mitigate cash flow volatility e.g. higher than expected claims.

Concentration of liquidity risk

The table below summarises the undiscounted maturity profile of the Company's contractual financial liabilities at balance date:

In thousands of New Zealand Dollars	On demand	Less than 3 months	3 to 12 months	Greater than 1 year	Total
As at 31 March 2021					
Financial liabilities					
Expense creditors and accruals	-	5,846	113	-	5,959
Employee entitlements (excluding employee leave provisions)	-	-	4,128	-	4,128
Amounts due to group companies	84	-	-	-	84
Claim accruals and provisions	-	45,465	8,722	54,346	108,533
Trade creditors	292	21,308	-	-	21,600
Total Financial Liabilities	**376**	**72,619**	**12,963**	**54,346**	**140,304**
As 31 March 2020					
Financial liabilities					
Expense creditors and accruals	-	2,525	77	-	2,602
Employee entitlements (excluding employee leave provisions)	-	-	-	-	-
Amounts due to group companies	84	-	-	-	84
Claim accruals and provisions	-	38,106	10,852	43,293	92,251
Trade creditors	224	3,534	-	-	3,758
Total Financial Liabilities	**308**	**44,165**	**10,929**	**43,293**	**98,695**

Refer note 14 for the estimated timing of net cash inflows from insurance contract assets and liabilities.

Continued on Page 20 →

← **Continued from Page 19** *(7. Risk management)*

Capital risk

The primary objectives of the Company in the management of capital are to ensure that:

i. The Company continuously meets the requirements of the Solvency Standard for Life Insurance Business (the 'Solvency Standard') released by the RBNZ as part of IPSA.
ii. The interests of policyholders and creditors are protected.
iii. Shareholder value is created.

The Company is required to retain actual solvency capital of at least $5 million and maintain a positive solvency margin in each fund under the Solvency Standard. The Company's reinsurance treaties also impose minimum solvency requirements.

Capital risk management

The Board maintains overall responsibility for the management and monitoring of capital and the determination of the level of 'buffer' capital to be held in addition to the capital requirements of the Solvency Standard. A Target Surplus is established under the Capital Management policy for the purpose of monitoring and managing capital. Capital requirements are projected for the next four year period and are subjected to stress testing. ALCO regularly reviews these projections and reports to the Board at every Board meeting.

During the years ended 31 March 2021 and 31 March 2020, the Company complied with all externally imposed capital requirements.

As a means of protecting the interests of life insurance policyholders, IPSA requires licensed insurers to establish and maintain at least one statutory fund in respect of its life insurance business. The Company has established one statutory fund for its life insurance business. Medical insurance business and any other items that do not relate to contracts of life insurance are contained within the shareholder fund.

The solvency positions of the Company, the statutory fund and the shareholder fund determined under the requirements of the Solvency Standard are set out below. The Appointed Actuary has issued a report under section 78 of IPSA, a copy of which is available with the Company's financial statements.

As at 31 March 2021 In thousands of New Zealand Dollars	**Total**	**Statutory fund**	**Shareholder fund**
Actual solvency capital	588,440	482,348	106,092
Minimum solvency capital	529,218	437,923	91,295
Solvency margin	**59,222**	**44,425**	**14,797**
Solvency ratio	**111%**	**110%**	**116%**

As at 31 March 2020 In thousands of New Zealand Dollars	**Total**	**Statutory fund**	**Shareholder fund**
Actual solvency capital	489,886	389,505	100,381
Minimum solvency capital	447,424	361,614	85,810
Solvency margin	**42,462**	**27,891**	**14,571**
Solvency ratio	**109%**	**108%**	**117%**

Continued on Page 21 →

← Continued from Page 20

8. Net premium revenue

Premium revenue

Premiums for insurance contract business are recognised as revenue on an accrual basis. The unearned portion of premium revenue is recognised in the Statement of Financial Position in Trade and other payables and in Insurance contract assets.

Outward reinsurance expense

Premiums ceded to reinsurers under reinsurance contracts are recorded as Outward reinsurance expense and are recognised when they become due and payable in accordance with the terms and conditions of the reinsurance contracts. The prepaid portion of premium ceded is recognised in the Statement of Financial Position in Trade and other receivables and in Insurance contract liabilities – reinsurance.

9. Reinsurance commission revenue

Reinsurance commission revenue is inwards reinsurance commission on issued policies containing reinsured benefits, net of commission repayable as a result of policy discontinuances. It is recognised as revenue on an accrual basis.

10. Investment revenue

Cash and cash equivalents comprise on call and term deposit facilities (under 5 months) subject to an insignificant risk of changes in value.
Interest on investments relates to bank term deposits.
Interest on adviser balances relates to Secured loans to advisers and other receivables Due from advisers.
Interest on New Zealand government bonds is calculated based on the applicable coupon rates.
Revaluation of New Zealand government bonds excludes interest received.

For the year ended 31 March In thousands of New Zealand Dollars	2021	2020
Interest on cash and cash equivalents and investments	2,118	2,422
Interest on adviser balances	25	72
Interest on New Zealand government bonds	931	328
Revaluation of New Zealand government bonds	(1,323)	(405)
Total investment revenue	**1,751**	**2,417**

11. Net claims expense

Claims expense

Claims expense is recognised when the liability to a policyholder has been established, or when the Company has been notified of a claim event. A provision is made for claims that have not yet been reported. The claims provision for disability income products is calculated as the present value of estimated payments.

Reinsurance recoveries

Reinsurance recoveries are recognised as revenue at the same time the claim expense is recognised if the underlying policy is reinsured. Reinsurance recovery provisions are established for claims that have not yet been reported. The reinsurance recovery provision for disability income products is calculated as the present value of recoverable amounts.

Continued on Page 22 →

← Continued from Page 21

12. Commission and operating expense

Commission paid to independent advisers, and the Company's operating expenses, have been apportioned between acquisition and maintenance costs which determines the timing of expense recognition.

Commission and operating expenses are recognised on an accrual basis.

Acquisition costs

Acquisition costs are the costs of acquiring new business, including adviser commission and similar distribution costs related to accepting, issuing and initially recording policies.

Acquisition costs are spread over the period in which insurance services are provided. The expense is recognised as a component of Net movement in insurance contract assets and liabilities in the Statement of Comprehensive Income. Unamortised acquisition costs are a component of insurance contract assets and liabilities in the Statement of Financial Position.

Maintenance costs

Maintenance costs are the costs of administering policies subsequent to sale including renewal and as earned commission and all other operating costs of the Company other than acquisition costs.

For the year ended 31 March In thousands of New Zealand Dollars	Note	2021	2020
Acquisition costs			
Commission		53,332	86,680
Equity settled share based payments to advisers	28	-	3,025
Other acquisition expenses		36,843	32,627
Total acquisition costs		**90,175**	**122,332**
Maintenance costs			
Commission		34,788	29,026
Other maintenance expenses		31,785	23,474
Total maintenance costs		**66,573**	**52,500**
Other costs			
Business transaction costs	21	2,562	-
Total commission and operating expenses		**159,310**	**174,832**

Continued on Page 23 →

← **Continued from Page 22** *(12. Commission and operating expense)*

For the year ended 31 March In thousands of New Zealand Dollars	Note	2021	2020
Included within Total commission and operating expenses are the following specific items:			
Contributions to defined contribution superannuation schemes		775	717
Equity settled share based payments to executive staff	29	2,487	241
Employee benefits		37,887	29,878
Amortisation of right of use assets		793	702
Amortisation of software assets		2,681	2,007
Movement in bad and doubtful debts		(89)	98
Donations		41	2

There were fees paid and payable to the Company's auditor, KPMG, of $0.3 million for the audit of financial statements (31 March 2020: $0.2 million), $0.06 million for the assurance over regulatory reporting (31 March 2020: $0.06 million), and $0.01 million for advisory services in relation to conduct monitoring (31 March 2020: nil).

13. Taxation

The discounted tax cash flows embedded in the Insurance contract assets and Insurance contract liabilities - reinsurance balances, are netted and disclosed separately in the Statement of Financial Position as Present value of future tax payable in insurance contract assets and liabilities.

The movement in Present value of future tax payable is included in Net movement in insurance contract assets and liabilities reported in the Statement of Comprehensive Income.

For the year ended 31 March In thousands of New Zealand Dollars	2021	2020
Reconciliation of prima facie income tax		
Profit before income tax	19,574	55,523
Income tax expense at statutory income tax rate of 28%	5,481	15,546
Reduction in income tax expense due to non-assessable net income	(14,827)	(20,509)
Income tax effect of changes in temporary differences not recognised	1,236	(1,996)
Income tax effect of net reinsurance items taxed under the financial arrangements regime	14,719	(12,938)
Income tax effect of current period tax losses not recognised	(6,609)	19,897
Income tax expense reported in the Statement of Comprehensive Income	-	-

Continued on Page 24 →

← **Continued from Page 23** *(13. Taxation)*

The Company has income tax losses available to carry forward of $372 million (31 March 2020: $396 million).

The availability of income tax losses carried forward is subject to statutory requirements being met, including shareholder continuity rules. Future availability of tax losses could be adversely affected by future changes in ownership that breach the 49% shareholder continuity test. However, a new business continuity test was enacted on 30 March 2021, for losses arising from 1 April 2013, which could permit loss carry forward despite a potential future breach of shareholder continuity. Future availability of tax losses subject to the business continuity test could be adversely affected by a major change in the business within 5 years (or less if losses are used earlier) following a breach of shareholder continuity.

The Company has unrecognised deductible temporary differences of $3 million (31 March 2020: $1 million).

The Company has nil imputation credit as at balance date (31 March 2020: nil).

14. Insurance contract assets and liabilities

Insurance contracts transfer significant insurance risks from the policyholder to the insurer.

The methodology used to determine the value of life insurance contract assets and liabilities is referred to as MoS, as set out in PS20.

MoS is designed to recognise profits on insurance as services are provided to policyholders and income is received. Profits are deferred and recognised over the life of the insurance policies, whereas losses are recognised immediately as they arise.

Insurance contract assets and liabilities reflect the present value of expected future premiums, claims, taxes and expenses, including profit margins to be released when earned in future periods.

The movement in insurance contract assets and liabilities during the period is recognised in the Statement of Comprehensive Income.

The discounted tax cash flows embedded in the Insurance contract assets and Insurance contract liabilities - reinsurance balances, are netted and disclosed separately in the Statement of Financial Position as Present value of future tax payable in insurance contract assets and liabilities.

The movement in Present value of future tax payable is included in Net movement in insurance contract assets and liabilities reported in the Statement of Comprehensive Income.

Details of the actuarial assumptions used in the calculation of insurance contract assets and liabilities are set out in note 6.

Continued on Page 25 →

← **Continued from Page 24** *(14. Insurance contract assets and liabilities)*

The table below shows the discounted cash flows that comprise the insurance contract assets and liabilities, net of reinsurance and including profit margins.

As at 31 March In thousands of New Zealand Dollars	**2021**	**2020**
Net insurance contract assets contain the following components:		
Present value of future policy benefits	(2,246,962)	(2,210,597)
Present value of future expenses (including reinsurance)	(1,087,418)	(1,033,550)
Present value of future planned margins of revenues over expenses	(715,887)	(703,120)
Future tax payable	(241,223)	(286,698)
Present value of future premiums	4,783,650	4,666,450
Business valued using an accumulation model	(5,714)	(4,416)
Net insurance contract assets	**486,446**	**428,069**
Disclosed as:		
Insurance contract assets	867,783	895,153
Insurance contract liabilities - reinsurance	(140,113)	(180,386)
Present value of future tax payable within net insurance contract assets	(241,224)	(286,698)
Net insurance contract assets	**486,446**	**428,069**
Estimated discounted net cash inflows from net insurance contract assets:		
Less than one year	7,380	(17,550)
One year to five years	118,400	80,413
Later than five years	360,666	365,206
Net insurance contract assets future net cash inflows	**486,446**	**428,069**

Continued on Page 26 →

← Continued from Page 25 *(14. Insurance contract assets and liabilities)*

Reconciliation of movements in insurance contract assets and liabilities

For the year ended 31 March In thousands of New Zealand Dollars	**2021**	**2020**
Insurance contract assets		
Opening insurance contract assets	895,153	691,259
Movement recognised in the Statement of Comprehensive Income	(27,370)	203,894
Closing insurance contract assets	**867,783**	**895,153**
Expected maturity within 12 months	90,039	58,502
Expected maturity greater than 12 months	777,744	836,651
Insurance contract assets	**867,783**	**895,153**
Insurance contract liabilities - reinsurance		
Opening insurance contract liabilities - reinsurance	(180,386)	(156,194)
Movement recognised in the Statement of Comprehensive Income	40,273	(24,192)
Closing insurance contract liabilities - reinsurance	**(140,113)**	**(180,386)**
Expected maturity within 12 months	(82,659)	(76,052)
Expected maturity greater than 12 months	(57,454)	(104,334)
Insurance contract liabilities - reinsurance	**(140,113)**	**(180,386)**
Present value of future tax payable within net insurance contract assets		
Opening present value of future tax payable within net insurance contract assets	(286,698)	(182,466)
Movement recognised in the Statement of Comprehensive Income	45,474	(104,232)
Closing present value of future tax payable within net insurance contract assets	**(241,224)**	**(286,698)**
Expected maturity within 12 months	-	-
Expected maturity greater than 12 months	(241,224)	(286,698)
Present value of future tax payable within net insurance contract assets	**(241,224)**	**(286,698)**
Reconciliation of movements in net insurance contract assets and liabilities		
Net insurance contract assets		
Opening net insurance contract assets	428,069	352,599
Movement recognised in the Statement of Comprehensive Income	58,377	75,470
Closing net insurance contract assets	**486,446**	**428,069**

Continued on Page 27 →

← Continued from Page 26

15. Trade and other receivables

As at 31 March In thousands of New Zealand Dollars	Note	2021	2020
Sundry debtors and prepayments		2,126	1,178
Accrued investment income		981	295
Amounts due from related parties	24	561	664
Reinsurance premiums paid in advance		1,344	1,368
Reinsurance recoverable on accrued claims		72,139	61,057
Trade receivables:			
Due from reinsurers		19	13
Due from advisers		387	479
Due from policy holders		1,563	1,282
Trade and other receivables		**79,120**	**66,336**
Expected maturity within 12 months		40,110	35,444
Expected maturity greater than 12 months		39,010	30,892
Trade and other receivables		**79,120**	**66,336**

Amounts due from advisers are shown net of a $0.1 million (31 March 2020: $0.1 million) provision for expected credit losses under NZ IFRS 9. The gross amount of the impaired receivables is $0.1 million (31 March 2020: $0.1 million).

16. Investments

Investments comprise bank term deposits of 5 to 18 months in duration designated, at inception, as recorded at cost, and New Zealand government bonds designated, at inception, as at fair value through profit and loss.

As at 31 March In thousands of New Zealand Dollars	2021	2020
Bank term deposits	123,523	17,000
New Zealand government bonds	31,348	26,630
Total investments	**154,871**	**43,630**

Continued on Page 28 →

← Continued from Page 27 *(16. Investments)*

Investments in government bonds

The Company invests in government bonds with maturities ranging from 2 to 242 months to materially match the solvency liability and associated interest rate exposures resulting from movements in claim reserves.

Investments in government bonds are measured at fair value at inception and at each reporting date, with changes recognised immediately in profit or loss.

Measurement of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the evaluation techniques as follows:

- **Level 1:** quoted prices (adjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of Investments in government bonds reflects the price that would be received to sell the government bonds. The fair value measurement for the Investments in government bonds has been categorised as Level 2 fair value based on inputs that are observable for the asset. The fair value at balance date was derived by discounting all expected future cash flows from the asset using the closing market yield to maturity quoted for each government bond.

Credit risk

The Company is exposed to credit risks arising from Investments in government bonds. At 31 March 2021, the maximum exposure to credit risk of the Investments in government bonds designated as measured at fair value through profit or loss is their carrying amount of $31.3 million (31 March 2020: $26.6 million). The change in fair value attributable to changes in credit risk is determined based on the changes in the prices of credit-default swaps referenced to similar obligations of New Zealand Government, as these swaps best reflect the market assessment of credit risk for the government bonds. The increase in fair value of Investments in government bonds attributed to credit risk, for the year ended 31 March 2021, is $0.06 million (31 March 2020: $0.04 million decrease).

17. Loans

As at 31 March In thousands of New Zealand Dollars	**2021**	**2020**
Secured loans to advisers	-	372
Total Loans	**-**	372
Expected maturity within 12 months	-	372
Expected maturity greater than 12 months	-	-
Total Loans	**-**	372

From time to time the Company has entered into loan agreements with advisers. The majority of loans were under 4 years in duration, with interest charged at market rates. Loans were secured against all of the assets of the borrower and most were also subject to personal guarantees.

As at 31 March 2021 the Company had no outstanding loans to advisers.

Loans are shown net of a nil (31 March 2020: $0.1 million) provision for expected credit losses under NZ IFRS 9. The gross amount of the impaired receivables is nil (31 March 2020: $0.1 million).

Continued on Page 29 →

← Continued from Page 28

18. Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment. Depreciation is charged on a straight-line basis over the period for which benefits are expected to be derived, which is assessed to be between three to seven years. Cost comprises all directly attributable costs necessary to purchase, create, produce and prepare the asset to be capable of operating in the manner intended by management.

In thousands of New Zealand Dollars	Leasehold improvements	Office furniture and equipment	Computer equipment	Right-of-use assets property	Total
Gross carrying value					
Balance at 1 April 2020	378	438	587	5,904	7,307
Additions	-	-	436	328	764
Disposals and write-offs	-	(1)	(86)	-	(87)
Balance at 31 March 2021	**378**	**437**	**937**	**6,232**	**7,984**
Accumulated depreciation					
Balance at 1 April 2020	184	211	254	3,799	4,448
Depreciation expense	54	71	264	793	1,182
Disposals and write-offs	-	(1)	(82)	-	(83)
Balance at 31 March 2021	**238**	**281**	**436**	**4,592**	**5,547**
Net carrying value at 31 March 2021	**140**	**156**	**501**	**1,640**	**2,437**
Gross carrying value					
Balance at 1 April 2019	362	382	687	6,070	7,501
Additions	16	56	259	-	331
Disposals and write-offs	-	-	(359)	(166)	(525)
Balance at 31 March 2020	**378**	**438**	**587**	**5,904**	**7,307**
Accumulated depreciation					
Balance at 1 April 2019	130	132	388	3,097	3,747
Depreciation expense	54	79	215	702	1,050
Disposals and write-offs	-	-	(349)	-	(349)
Balance at 31 March 2020	**184**	**211**	**254**	**3,799**	**4,448**
Net carrying value at 31 March 2020	**194**	**227**	**333**	**2,105**	**2,859**

Continued on Page 30 →

← Continued from Page 29

19. Intangible assets

Computer software is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the period for which benefits are expected to be derived, which is assessed to be three or five years. Cost comprises all directly attributable costs necessary to purchase, create, produce and prepare the asset to be capable of operating in the manner intended by management.

In thousands of New Zealand Dollars	Computer software	Other intangible assets	Total
Gross carrying value			
Balance at 1 April 2020	16,448	101	16,549
Additions	4,538	-	4,538
Disposals and write-offs	(802)	(74)	(876)
Balance at 31 March 2021	**20,184**	**27**	**20,211**
Accumulated amortisation			
Balance at 1 April 2020	5,365	77	5,442
Amortisation expense	2,681	13	2,694
Disposals and write-offs	(66)	(74)	(140)
Balance at 31 March 2021	**7,980**	**16**	**7,996**
Net carrying value at 31 March 2021	**12,204**	**11**	**12,215**
Gross carrying value			
Balance at 1 April 2019	12,272	75	12,347
Additions	4,176	26	4,202
Disposals and write-offs	-	-	-
Balance at 31 March 2020	**16,448**	**101**	**16,549**
Accumulated amortisation			
Balance at April 1 2019	3,358	51	3,409
Amortisation expense	2,007	26	2,033
Disposals and write-offs	-	-	-
Balance at 31 March 2020	**5,365**	**77**	**5,442**
Net carrying value at 31 March 2020	**11,083**	**24**	**11,107**

Continued on Page 31 →

← Continued from Page 30

20. Trade and other payables

As at 31 March In thousands of New Zealand Dollars	Note	2021	2020
Expense creditors and accruals		5,959	2,602
Employee entitlements		6,016	1,616
Amounts due to related parties	24	84	84
Claim accruals and provisions		108,533	92,251
Unearned premiums		3,380	2,750
Trade creditors:			
Due to advisers		690	2,701
Due to reinsurers		20,910	1,057
Trade and other payables		**145,572**	**103,061**
Expected maturity within 12 months		91,226	59,768
Expected maturity greater than 12 months		54,346	43,293
Trade and other payables		**145,572**	**103,061**

21. Commitments

In December 2020 the Company entered into a conditional agreement to acquire 100% ownership of BNZ Life for $290 million, together with a multi-year bank customer referral agreement. At 31 March 2021 this agreement remained subject to regulatory and other approvals.

The Company had no material commitments for the purchase of intangible assets and property, plant and equipment at 31 March 2021 or 31 March 2020.

22. Leases

The Company leases office premises. The initial lease term was 4 years, with one renewal option of four years. The Company has exercised this renewal option with effect from 1 April 2019.

The lease liability at 31 March 2021 relating to this commitment is $2.1 million (31 March 2020: $2.8 million) with a corresponding right-of-use asset valued at $1.6 million (31 March 2020: $2.1 million).

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, and is subsequently depreciated using the straight-line method from commencement date to the end of the lease term.

The lease liability is measured at the present value of the lease payments for the lease term, discounted using the Company's incremental borrowing rate at lease commencement which has been assessed at 3.43%.

The Company presents right-of-use assets in Property, plant and equipment (refer note 18) and lease liabilities on the Statement of Financial Position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets, including low value office equipment, and short term leases, for office facilities. The Company recognises the lease payments associated with these low value and short term leases as an expense on a straight-line basis over the lease term in accordance with permitted exemptions under NZ IFRS 16.

The Company has committed to a new lease agreement relating to future office premises, with a commencement date of 1 April 2023. This lease is for 10 years, with two renewal options of four years each. Undiscounted cash outflows relating to this lease begin at $1.6 million per annum, subject to future rent reviews. A right-of-use asset and lease liability will be recognised on commencement date.

Continued on Page 32 →

← Continued from Page 31 *(22. Leases)*

As at 31 March In thousands of New Zealand Dollars	**2021**	**2020**
Contractual undiscounted cash flows		
Less than one year	1,098	974
Between one and two years	1,126	999
Between two and three years	-	1,024
Total undiscounted lease liabilities	**2,224**	**2,997**
Lease liabilities included in the statement of financial position		
Current	1,041	891
Non-current	1,105	1,952
Total lease liabilities included in the statement of financial position	**2,146**	**2,843**

The table below shows finance costs relating to the lease liability, and other lease related expenditure.

For the year ended 31 March In thousands of New Zealand Dollars	**2021**	**2020**
Interest on lease liabilities	91	113
Expenses relating to leases of low-value assets	102	93
Total amounts recognised in statement of comprehensive income	**193**	**206**

Lease related cash flows for the year were as follows:

For the year ended 31 March In thousands of New Zealand Dollars	**2021**	**2020**
Interest on lease liabilities	91	113
Repayment of lease liabilities	1,025	838
Payments relating to leases of low-value assets	102	93
Total cash outflow for leases	**1,218**	**1,044**

23. Contingent liabilities

The Company has no material contingent liabilities as at 31 March 2021, or 31 March 2020.

Continued on Page 33 →

← Continued from Page 32

24. Related parties

Transactions

The remuneration of directors and other key management personnel (being those persons having authority and responsibility for planning, directing and controlling the activities of the Company) during the year was as follows:

For the year ended 31 March In thousands of New Zealand Dollars	Note	2021	2020
Short-term employee benefits		9,826	10,473
Share based payments	29	2,487	241
Fees paid to non-executive directors		462	387
Total compensation		**12,775**	**11,101**

Directors and other related parties have policies underwritten by the Company in the normal course of business. For all KMP excluding non-executive directors the premium value of the policies written forms part of the remuneration package, and short-term employee benefits above. Any claims are paid out as made, on usual commercial terms.

Details of transactions between the Company and other related parties are disclosed below.

For the year ended 31 March In thousands of New Zealand Dollars	Note	2021 Received / (paid)	2020 Received / (paid)
Partners Group Holdings Limited			
Equity contribution	27	80,087	4,766
Directors, their associated entities & related parties			
Net commissions		(297)	(299)

The transactions were made on commercial terms in the normal course of business.

The Company pays all fees for the audit of financial statements on behalf of PGHL and its subsidiaries.

As at 31 March In thousands of New Zealand Dollars	Note	2021 Receivable / (payable)	2020 Receivable / (payable)
Balances with related parties			
Partners Group Holdings Limited	15	3	26
Unique Solutions and Advice Limited (fellow subsidiary)	20	(84)	(84)
Evince Limited (fellow subsidiary)	15	-	44
Employee entitlements payable to KMP		(765)	(617)
Loans to directors and KMP	15	558	594

A small number of shareholders of PGHL are also part of the distribution network of the Company and are paid commissions on an arm's length basis.

Continued on Page 34 →

← Continued from Page 33

25. Reconciliation of net profit after tax to cash flows from operating activities

For the year ended 31 March In thousands of New Zealand Dollars	2021	2020
Net profit after tax	**19,574**	**55,523**
Non-cash items and non-operating items:		
Depreciation	1,183	1,061
Loss on disposal of property, plant and equipment	3	-
Amortisation of intangible assets	2,694	2,033
Loss on disposals of intangible assets	736	-
Equity settled share based payments	2,487	3,266
Net advances to group companies	(66)	26
Net cash advances to related parties	(36)	-
Interest expense	91	113
Provision for doubtful debts on loans	(98)	97
Unrealised loss on investments	390	77
Movement in insurance contract assets and liabilities:		
Movement in insurance contract assets	27,370	(203,894)
Movement in insurance contract liabilities - reinsurance	(40,273)	24,192
Movement in present value of future tax payable within net insurance contract assets and liabilities	(45,474)	104,232
Movements in working capital:		
Increase in Trade and other receivables	(12,784)	(20,723)
Increase in Trade and other payables	42,511	9,523
Net cash flows from operating activities	**(1,692)**	**(24,474)**

Continued on Page 35 →

← Continued from Page 34

26. Disaggregated information

IPSA requires a life insurer to allocate the operating profit or loss of a statutory fund (in accordance with the regulations) and identify any capital payments made to, or distributions from, a statutory fund. The table below presents disaggregated information in compliance with these requirements. There were no distributions made from the statutory fund in the current year (31 March 2020: nil).

Solvency information for the Company's statutory and shareholder funds is disclosed in the Capital risk section of *note 7*.

The Company has established one statutory fund for its life insurance business. Medical insurance business and any other items that do not relate to contracts of life insurance are contained within the shareholder fund.

In thousands of New Zealand Dollars	Statutory fund	Shareholder fund	Total
For the year ended 31 March 2021			
Premium revenue	269,791	56,089	325,880
Investment revenue	690	1,061	1,751
Claims expense	110,946	35,954	146,900
Commission and other operating expenses	132,066	27,244	159,310
Profit before tax	21,633	(2,059)	19,574
Profit after tax	21,633	(2,059)	19,574
Capital payments made to funds	71,209	8,878	80,087
As at 31 March 2021			
Investment assets	133,205	34,947	168,152
Insurance contract assets	732,358	135,425	867,783
Other assets	76,824	16,948	93,772
Insurance contract liabilities - reinsurance	140,113	-	140,113
Other liabilities	319,930	69,012	388,942
Retained profits / (losses) directly attributable to shareholders	208,421	(2,309)	206,112
Contributed capital	273,923	120,617	394,540

Continued on Page 36 →

← Continued from Page 35 *(26. Disaggregated information)*

In thousands of New Zealand Dollars	Statutory fund	Shareholder fund	Total
For the year ended 31 March 2020			
Premium revenue	237,196	49,618	286,814
Investment revenue	1,331	1,086	2,417
Claims expense	131,143	31,274	162,417
Commission and other operating expenses	148,071	26,761	174,832
Profit before tax	45,157	10,366	55,523
Profit after tax	45,157	10,366	55,523
Capital payments made to funds	10,082	(5,316)	4,766
As at 31 March 2020			
Investment assets	71,056	27,096	98,152
Insurance contract assets	766,280	128,873	895,153
Other assets	63,981	16,693	80,674
Insurance contract liabilities - reinsurance	180,386	-	180,386
Other liabilities	331,429	61,173	392,602
Retained profits / (losses) directly attributable to shareholders	186,788	(250)	186,538
Contributed capital	202,714	111,739	314,453

27. Contributed capital

For the year ended 31 March	In thousands of shares		In thousands of New Zealand dollars	
	2021	2020	2021	2020
Ordinary capital				
Balance at 1 April	297,530	296,030	314,453	309,687
Shares issued	77,600	1,500	77,600	1,500
Equity settled share based payments to key management personnel	-	-	2,487	241
Equity settled share based payments to advisers	-	-	-	3,025
Total contributed capital	**375,130**	**297,530**	**394,540**	**314,453**

All shares are fully paid, have equal voting rights, share equally in dividends and surplus on winding up, and have no par value.

Blackstone has committed to a further capital injection of $56 million into PGHL, which at balance date remains pending regulatory approval by the RBNZ. Of this, approximately $55 million will be passed down to PLL by way of capital contribution.

Continued on Page 37 →

← Continued from Page 35

28. Share-based payments with advisers

The Company had a shadow share scheme for eligible independent financial advisers which provides additional commission payments on a deferred basis. It was designed to encourage advisers to write high quality business to enable the Company to maintain strong persistency over a number of years. The entitlements carry no voting rights as they do not represent an ownership interest in the Company. Entitlements earned are equal to the notional gain in the value of shares in PGHL between the allocation date and the date when the entitlement is paid. The entitlements will be settled in cash.

The number of shadow shares granted was calculated in accordance with scheme rules and includes performance factors such as: production net of lapses, issued annual premium and persistency levels. Payment of shadow share entitlements will occur as soon as practicable following a defined liquidity event for PGHL, subject to a minimum term of three years and a maximum of five years.

PGHL, through a Deed of Agreement with the Company, has undertaken to bear the liability to advisers arising under the scheme. PGHL will utilise the proceeds of new shares issued to discharge the liability. The Company has no obligation to reimburse or repay PGHL. The option fair value of shadow shares at grant date is recognised as a commission expense with a corresponding increase in equity.

At balance date the intrinsic value of vested shadow share schemes is nil. At 31 March 2020 the intrinsic value of vested shadow share schemes was nil.

No further shadow share tranches will be granted.

Movements in shadow shares during the year

The following table reconciles the shadow shares outstanding at the beginning and end of the year.

For the year ended 31 March In thousands of shares	**Scheme 1**	**Scheme 2**		
	Tranche 4	**Tranche 1**	**Tranche 2**	**Tranche 3**
Balance at 1 April 2020	**-**	**1,519**	**1,881**	**2,180**
Granted	-	-	-	-
Paid	-	-	-	-
Forfeited	-	-	-	-
Balance at 31 March 2021	**-**	**1,519**	**1,881**	**2,180**
Remaining term until options vest	-	24 months	36 months	48 months
Option value per shadow share	-	$1.307	$1.325	$1.550
Balance at 1 April 2019	**843**	**1,519**	**1,881**	**-**
Granted	-	-	-	2,180
Paid	(843)	-	-	-
Forfeited	-	-	-	-
Balance at 31 March 2020	**-**	**1,519**	**1,881**	**2,180**
Remaining term until options vest	-	24 months	24 months	36 months
Option value per shadow share	$1.500	$1.317	$1.317	$1.321

Continued on Page 38 →

← **Continued from Page 37** *(28. Share-based payments with advisers)*

Value of shadow shares granted

The option fair value of shadow shares granted were valued using the binomial option pricing model, which utilises the same underlying theoretical framework as the Black-Scholes option pricing model, but allows for adjustment to the end 'payoff' to reflect conditional outcomes applicable to the scheme at balance date.

At balance date, all tranches were revalued using a share price of $5.50 per share (31 March 2020: $5.50 per share), which reflects the Board's best estimate of fair value for the shadow shares taking into account all factors relevant to the valuation. The revaluation also incorporates an update to the time to maturity input to reflect management's best estimate as to when each of the tranches will be paid out.

Following this revaluation, option values per entitlement for Scheme 2 were $1.307 for tranche 1, $1.325 for tranche 2 and $1.550 for tranche 3.

The inputs used in the option fair value at grant date were as follows:

Inputs used	Scheme 1	Scheme 2		
	Tranche 4	Tranche 1	Tranche 2	Tranche 3
Grant date	31/03/2015	31/03/2018	31/03/2019	31/03/2020
Number of shares (in thousands)	885	1,519	1,881	2,180
Option fair value at grant date	$1.32	$1.44	$1.37	$1.37
Grant date share price of PGHL	$4.00	$5.50	$5.50	$5.50
Exercise price	$4.00	$5.50	$5.50	$5.50
Expected volatility	45%	35%	35%	35%
Time to maturity	3 years	3 years	3 years	3 years
Dividend yield	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate	3.16%	2.37%	1.41%	1.41%

The exercise price is based on the value of the shares of PGHL, as determined by the Board, at grant date.

The expected volatility is the expected volatility of the PGHL share price. The volatility assumption has been determined by considering comparable share price volatilities of Australasian and international insurance companies as well as the Company's maturity and external regulatory environment.

29. Share-based payments with employees

Partners Life Long Term Incentive Plan

The Partners Life Long Term Incentive Plan ('LTI plan (2017)') is an equity settled share based employee plan, designed to assist in the reward, retention and motivation of targeted senior executives and align the incentives of the participants with the interests of the PGHL shareholders. Invited participants are issued with rights to ordinary shares in PGHL under the rules of the plan.

The plan rules contain vesting conditions which comprise the achievement of performance hurdles set by the Board and the participant remaining employed for the specified service period. The performance hurdles for this plan were measured as at 31 March 2020. Two thirds of the options that met performance criteria have met the service period requirement and have vested, subject to the 'good leaver' requirements under the plan.

If the remaining service vesting conditions are met, the participants have the right to exercise their share rights and be issued shares in accordance with the plan rules subject to a defined liquidity event having occurred.

Continued on Page 39 →

← **Continued from Page 38** *(29. Share-based payments with employees)*

Partners Life Short Term Incentive Plan ('STI plan')

The Company's Board resolved to remunerate the Company's executive team through a grant of share options in place of a cash STI payment. This grant relates to performance during the year to 31 March 2021 and accordingly has no additional vesting criteria.

Share performance rights for participants have been recognised in the financial statements at 31 March 2021. Participants will have the right to exercise their share rights, and be issued shares in accordance with the plan rules, subject to a defined liquidity event having occurred.

Movements in option plans during the year

The following table reconciles the options outstanding at the beginning and end of the year.

For the year ended 31 March In thousands of shares	Executive share option plan	LTI plan (2017)	STI plan
	Tranche 3	Tranche 1	
Balance at 1 April 2020	**-**	**1,781**	**-**
Granted	-	-	182
Exercised	-	-	-
Forfeited	-	-	-
Balance at 31 March 2021	**-**	**1,781**	**182**
Remaining term until options vest	-	12 months	0 months
Balance at 1 April 2019	**136**	**3,042**	**-**
Granted	-	-	-
Exercised	(95)	-	-
Forfeited	(41)	(1,261)	-
Balance at 31 March 2020	**-**	**1,781**	**-**
Remaining term until options vest	0 months	24 months	-

Continued on Page 40 →

← **Continued from Page 39** *(29. Share-based payments with employees)*

Value of options granted

The option fair value determined at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity.

The option fair value of entitlements granted were valued using the binomial option pricing model, which utilises the same underlying theoretical framework as the Black-Scholes option pricing model, but allows for adjustment to the end 'payoff' to reflect conditional outcomes applicable to each plan's rules at balance date.

The inputs used in the measurement of the option values of entitlements granted were as follows:

	Executive share option plan	LTI plan (2017)	STI plan
	Tranche 3	Tranche 1	
Grant date	17/09/2015	27/11/2017	31/03/2021
Number of options originally granted (in thousands)	310	3,042	182
Option fair value at grant date	$0.97	$1.79	$1.76
Grant date share price of PGHL	$3.25	$5.25	$5.50
Exercise price	$3.25	$0.00	$0.00
Illiquidity discount applied	0%	25%	25%
Expected volatility	45%	35%	35%
Time to maturity	3 years	4.33 years	3 years
Dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	2.63%	2.41%	0.65%

The expected volatility is the expected volatility of the PGHL share price. The volatility assumption has been determined by considering comparable share price volatilities of Australasian and international insurance companies as well as the Company's maturity and external regulatory environment.

30. Events after reporting date

There are no events subsequent to 31 March 2021 that have a material impact on the financial statements at 31 March 2021.

Partners Life Limited

Corporate Governance Statement

For the year ended 31 March 2021

partnersLIFE

Corporate Governance Statement

The Board recognises the importance of good corporate governance, particularly its role in protecting the interests of all stakeholders and delivering improved performance.

Directors are appointed by PGHL. In turn, directors of PGHL are appointed or ratified by the shareholders of PGHL.

Responsibilities of the Board

The Board is responsible for establishing, monitoring and updating the Company's corporate governance framework, and is committed to carrying out this role in accordance with best practice and all applicable laws and regulations.

The Board has the dual responsibilities of protecting the Company's policyholders, and governance of the operations of the Company on behalf of the shareholder. The Board's performance is reviewed annually.

A Board Charter sets out the Board's role and responsibilities and regulates Board procedures.

Specific responsibilities of the Board include:

- Ensuring the Company continuously meets the requirements for licensed insurers set by the RBNZ.
- Setting strategic goals and establishing business plans, as well as monitoring performance against those goals and plans.
- Monitoring the performance of the Managing Director and the senior management team.
- Setting delegated levels of authority for the Managing Director and senior management team.
- Overseeing the financial position of the Company, including capital management and approving and monitoring capital expenditure.
- Ensuring all appropriate policies, controls, systems and procedures are in place to manage business risks and to ensure compliance with all regulatory, prudential and ethical standards.
- Approving annual and half yearly accounts and other regulatory reporting (such as solvency returns).
- Identifying risks and initiating action to mitigate and manage risks in line with the Company's Risk Management Program and reporting any material changes in that Program to the RBNZ as required.
- Maintaining the highest business standards and ethical behaviour.
- Reviewing and approving remuneration policy and incentive programs for employees.
- Completing fit and proper assessments for all directors and relevant officers (Managing Director, Chief Financial Officer and Appointed Actuary) in accordance with the Company Fit and Proper Policy and the RBNZ fit and proper requirements.

Structure of the Board

The Board comprises one executive director and eight non-executive directors. The Board's collective experience includes a balance of insurance, management, financial, risk, investment, administrative and market expertise appropriate for the requirements of the Company.

All directors are certified under the RBNZ fit and proper requirements, in line with the Company's Fit and Proper Policy.

Five of the directors are independent (as defined in the RBNZ Governance Guidelines for Licensed Insurers), as noted in the table below which sets out the qualifications and experience of each director.

Our Board

Jim Minto

Chairman and Non-Executive Director (Independent)

Appointed 1 Feb 2017

Chair of:

- Nominations Committee
- Human Resources and Remuneration Committee
- Conduct and Culture Committee

Member of:

- Audit Committee
- Risk Committee

Biography:

Jim Minto is an experienced director with a demonstrated history of working at Chief Executive Officer and Managing Director level in the New Zealand, Australian and Asian financial services industries for over 26 years. Jim retired in 2015 as the Group Chief Executive Officer and Managing Director of TAL (formerly Tower Australia). TAL is 100% owned by Dai-ichi Life, a major global Japanese-based life insurer. Jim has an intimate understanding and passion for life insurance.

Jim is a director of Singapore based Dai-ichi Life Asia Pacific, director of National Disability Insurance Agency (Australia), Chairman of Swiss Re Life & Health Australia Ltd, and Chairman of Advisory Board of Swiss Reinsurance Company Ltd, Australia.

Jim is a fellow of the Australian and New Zealand Institute of Accountants and graduate member of the Australian Institute of Company Directors.

Naomi Ballantyne

Managing Director

Appointed 14 Dec 2010

Biography:

Naomi Ballantyne has been instrumental in founding three of the largest Life and Health Insurers in New Zealand over the past 37 years being Sovereign (now AIA), Club Life (now Cigna) and Partners Life. She has also founded an Independent Financial Advice firm, US Advice, during that time. From these experiences, she has developed a unique combination of deep technical insurance knowledge coupled with broad business experience, which has contributed to Partners Life's significant, proven innovation capability and capacity. Naomi was awarded the New Zealand Order of Merit (ONZM) for services to the insurance industry in 2017.

Our Board

Joanna Perry

Non-Executive Director
(Independent)

Appointed 20 May 2011

Chair of:

- Audit Committee
- Risk Committee *(to 3 Jun 2021)*

Member of:

- Risk Committeed *(from 3 Jun 2021)*
- Human Resources and Remuneration Committee
- Conduct and Culture Committee
- Nominations Committee

Biography:

Joanna Perry is Chair of Oyster Property Group and a non-executive director of Nyriad Limited. She is also a trustee of the IFRS Foundation. Her previous directorships include Trade Me, Kiwi Property Group, Genesis Energy, Sport New Zealand and Rowing New Zealand.Before embarking on her governance career Joanna was a partner at KPMG. She has also been a member of the Securities Commission and Chair of the Financial Reporting Standards Board.Joanna is a Chartered Fellow of the Institute of Directors. She holds a Master of Arts, Economics, from Cambridge University, qualified as a member of the Institute of Chartered Accountants in England and Wales and is a fellow of the New Zealand Institute of Chartered Accountants. Joanna has been awarded Membership of the New Zealand Order of Merit (MNZM) for services to accounting.

Tim Bennett

Non-Executive Director
(Independent)

Appointed 18 Dec 2017

Member of:

- Risk Committee

Biography:

Tim Bennett is an executive and strategic adviser with extensive experience in capital markets and retail financial services. He is currently the CEO of AIX, a new exchange developed as part of the Astana International Financial Centre.

Tim is Chair of Avalia Immunotherapies Limited, and was previously Chief Executive of NZX and a partner at both Oliver Wyman and the Boston Consulting Group variously in New Zealand, the USA and South East Asia.

Tim holds an MBA (Strategy and Finance) from Wharton School, University of Pennsylvania and a BCA (Computer Science, Business Administration) from Victoria University of Wellington.

Our Board

Menes Chee

Non-Executive Director
Appointed 25 Feb 2021

Member of:

- Human Resources and Remuneration Committee *(from 25 Feb 2021)*
- Nominations Committee *(from 25 Feb 2021)*

Biography:

Menes Chee is a Blackstone nominee. Menes is a founding member / Senior Managing Director of Blackstone's Tactical Opportunities Group, with experience in leading the groups' financial services and insurance investments. Menes is a member of the investment committee and a director of Acrisure, Finance of America, Lombard International and Sunz Insurance. Menes was the founding member /Managing Director of GSO Capital Solutions Partners (Blackstone's rescue lending fund).

Prior to joining Blackstone in 2009, Menes was the Principal and founding member of a $10+billion global multi-strategy hedge fund where he actively managed investment strategies in the portfolio and was primarily focused on insurance, non-bank financial, structured private and PIPE opportunities, and credit related investments.

Menes received a BA major in Economics from the University of Pennsylvania and a BSc in Economics with concentrations in Finance and Multinational Management from the Wharton School, University of Pennsylvania in 1998.

Paul Chrystall

Non-Executive Director
Appointed 5 Nov 2012

Biography:

Paul Chrystall is the Managing Director of the private equity firm Maui Capital Limited. As part of this role he sits on the boards of various Maui Capital investments.

Before co-founding Maui Capital in 2008, Paul was Head of Private Equity at Goldman Sachs JB Were (New Zealand) where he founded and managed the Hauraki Private Equity Funds. Prior to his career in private equity, Paul held a number of senior positions across diversified industries in New Zealand and the United Kingdom. In these positions he focused on finance management, restructure and turn around, mergers and acquisitions, valuation and investment, performance management and investment strategy.

Paul holds a Bachelor of Commerce from the University of Auckland.

Our Board

Julie Fahey

Non-Executive Director (Independent)

Appointed 1 Nov 2017

Member of:

- Human Resources and Remuneration Committee
- Conduct and Culture Committee
- Nominations Committee
- Risk Committee

Biography:

Julie Fahey is a non-executive Director of Datacom Group Limited in New Zealand and of Yooralla, IRESS, CenITex, Vocus Group Holdings, Seek and the Australian Red Cross Life Blood. Julie is a council member of the Latrobe University Council and a member of the Emergency Services Telecommunications Authority's ICT Advisory Board.

Julie has over 30 years of experience in technology, including in major organisations such as Western Mining, Exxon, Roy Morgan, General Motors and SAP, covering consulting, software vendor and Chief Information Officer roles. In addition to her industry experience, Julie spent 10 years at KPMG as a partner with the firm, during which time she held roles as National Lead Partner Telecommunications, Media and Technology, and National Managing Partner - Markets.

Julie was also a member of the KPMG National Executive Committee.

Daniel Eamon Kearns

Appointed 10 Sep 2020

Alternate Director for

Kishore Moorjani
(10 Sept 2020 to 25 Feb 2021)

Menes Chee
(25 Feb 2021 to 26 May 2021)

Non-Executive Director
from 26 May 2021

Member of:

- Conduct and Culture Committee *(from 28 Jun 2021)*
- Audit Committee *(from 26 May 2021)*
- Risk Committee *(from 26 May 2021)*

Biography:

Daniel Kearns is a Blackstone nominee with experience in private equity and corporate finance. Daniel is a Principal in Blackstone's Tactical Opportunities fund within Asia and undertakes coverage of Australian and New Zealand investment activities including sourcing, diligence, execution and ongoing portfolio management. Prior to joining Blackstone, Daniel was a Vice President at TPG Capital where he pursued opportunities for TPG's private equity funds primarily across Australia and New Zealand. Daniel received a Bachelor of Commerce and a Bachelor of Science from the University of Melbourne and a Master of Business Administration from Harvard Business School. Daniel is a director of Arena Holdings Limited.

Our Board

Shelley Ruha

Non-Executive Director (Independent)
Appointed 14 May 2020

Chair of:

- Risk Committee *(from 3 Jun 2021)*

Member of:

- Audit Committee
- Risk Committee *(to 3 Jun 2021)*

Biography:

Shelley Ruha is a non-executive Director of ASX listed 9 Spokes International Limited, Heartland Bank Limited, Hobson Wealth Holdings Limited and chair of New Zealand Rural Land Management Limited. Her previous directorships include The Icehouse Limited, Paymark Limited and JB Were Pty Limited.

Prior to her governance career, Shelley was a bank executive with experience across business and institutional banking, technology, operations and product.

Shelley attended the AMP Programme at Harvard Business School and holds a Bachelor of Commerce from the University of Auckland. She is a Chartered Member of the New Zealand Institute of Directors.

Kwang-Yew See

Appointed 4 Dec 2018

Resigned 15 April 2021

Luv Parikh

Appointed 18 Dec 2017

Resigned 15 April 2021

Kishore Moorjani

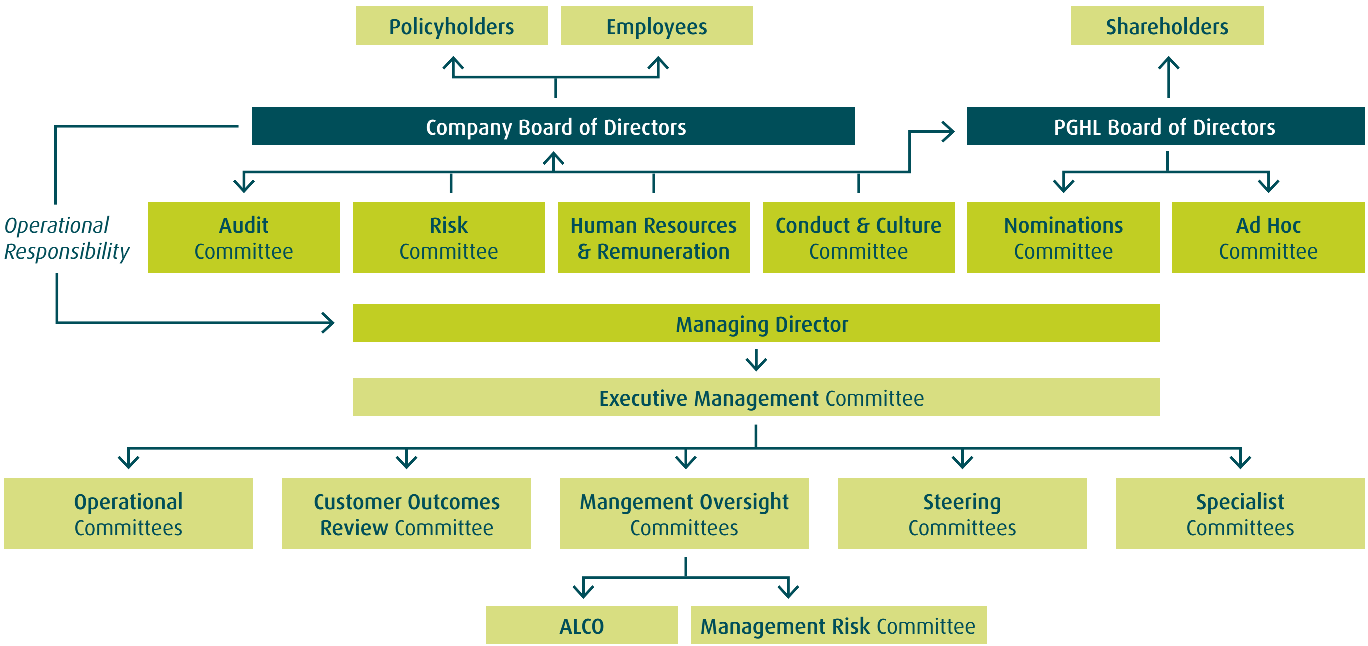
Appointed 9 Sep 2016

Resigned 25 Feb 2021

Corporate Governance Statement

Corporate Governance Structure

The corporate governance structure of PGHL and the Company is set out as follows:



The Board has approved the delegation of certain responsibilities to the Managing Director and the senior management team via a formal Delegation of Authority policy.

The senior management team are responsible for the implementation of strategies approved by the Board, providing recommendations to the Board on business strategies, the management of business risk and the overall day-to-day management of the Company.

The Board undertakes an annual strategic planning process and approves the annual budget prepared by management based on the strategic direction set by the Board.

The Board monitors the actual performance of the company against budget on a regular basis.

Evaluations of the Managing Director and the senior management team are based on set criteria, including the overall performance of the business, the achievement of key performance measurements, the accomplishment of strategic goals and other non-quantitative objectives agreed at the beginning of each financial year, such as the delivery of specific projects.

The Company has Directors' and Officers' Liability insurance to cover risks arising out of acts or omissions of directors and employees while acting in such a capacity. This cover does not extend to dishonest, fraudulent, malicious or wilful acts or omissions.

Deeds of Indemnity have been given to directors and certain senior managers in relation to potential liabilities and costs they may incur for acts or omissions in their capacity as directors and senior managers.

The Board has established a number of sub-committees to assist it in discharging its responsibilities. Each committee has its own charter. Committees can advise and make recommendations but final decision making rests with the Board. The Board creates ad hoc committees as may be required.

Ethical Conduct

The Board maintains a high standard of ethical conduct and the Managing Director is charged with the responsibility of ensuring these high standards are maintained by all staff throughout the organisation.

Continued on Page 49 →

← Continued from Page 48

Audit Committee

The purpose of the Audit Committee is to assist the Board in relation to the proper and efficient discharge of its responsibilities on matters relating to the effectiveness and accuracy of the Company's financial reporting, regulatory reporting, internal control systems and internal auditing.

The Audit Committee is chaired by an independent, non-executive director and has a different Chairman to the Board.

At 31 March 2021 the members of the Audit Committee were Joanna Perry (chair), Jim Minto, Luv Parikh, and Shelley Ruha.

On 15 April 2021 Luv Parikh resigned from the Board and therefore resigned from the Audit Committee. On 26 May 2021 Daniel Kearns joined the Audit Committee.

All Board members received Audit Committee papers, and are welcome to attend any meeting.

The primary responsibilities of the Audit Committee are:

- Review external financial reporting and other regulatory reporting (such as solvency returns) that require Board approval and make recommendations to the Board relating to approval of these documents and associated attestations.
- Review changes to accounting policies, actuarial assumptions, and other judgmental assumptions and make recommendations to the Board.
- Review annually the performance and independence of both the External Auditor and the Appointed Actuary and make recommendations to the Board for the appointment of each of the External Auditor and the Appointed Actuary and the quantum of the fees.
- Review and agree both the audit plan with the External Auditor and the review plan with the Appointed Actuary, reviewing changes and overseeing progress.
- Discuss with both the External Auditor and the Appointed Actuary any issues encountered in the course of their duties and ensure any significant findings and recommendations are acted on appropriately by management.
- Review with management and the internal auditor the adequacy of internal controls including computerised information system controls and security; and
- Review at least annually the Company's tax position

Risk Committee

The purpose of the Risk Committee is to assist the Board with the proper and efficient discharge of its responsibilities on matters relating to the governance, proper direction and control activities of risk management including identifying risks and initiating action to mitigate and manage risks in line with the risk management framework.

It is chaired by an independent, non-executive director.

At 31 March 2021 the members of the Risk Committee were Joanna Perry (chair), Jim Minto, Tim Bennett, Julie Fahey, Luv Parikh, and Shelley Ruha.

On 15 April 2021 Luv Parikh resigned from the Board and therefore resigned from the Risk Committee. On 26 May 2021 Daniel Kearns joined the Risk Committee. On 3 June 2021 Shelley Ruha was appointed Chair of the Risk Committee. Joanna Perry remains a member of the Risk Committee.

The primary responsibilities of the Risk Committee are:

- Provide objective oversight as to the adequacy, implementation and effectiveness of the Company's risk management framework (including key controls);
- Oversee and monitor the resolution of whistleblowing incidents in accordance with the Partners Life Limited Whistle-blower Policy;
- Monitor and assess compliance with significant laws and regulations in areas in which it has oversight responsibility; and
- Annually review and report on the director and officer insurance cover.

Human Resources and Remuneration Committee

The purpose of the Human Resources and Remuneration Committee is to oversee the Company's human resource policies and the remuneration of directors and senior executives.

It is chaired by an independent, non-executive director.

At 31 March 2021 the members of the Human Resources and Remuneration Committee were Jim Minto (chair), Joanna Perry, Menes Chee (appointed 25 February 2021), and Julie Fahey.

Continued on Page 50 →

← **Continued from Page 49** *(Human Resources and Remuneration Committee)*

The primary responsibilities of the Human Resources and Remuneration Committee are:

- Recommend to the Board the remuneration of the Managing Director and his/her direct reports.
- Recommend to the Board performance objectives for the Managing Director and his/her direct reports, and review the level of achievement against these objectives.
- Review the Company's remuneration framework including components of remuneration, the rules and principles for short and long term incentive plans and performance review and annual remuneration review principles.
- Provide governance over Health and Safety Policy and organisational practice.
- Implement a formal and transparent process for the regular review of director remuneration and make recommendations with respect to director remuneration to the Board (subject to shareholder approval where appropriate).
- Consider such other matters relating to remuneration and human resources as may be referred to the Committee by the Board.

Nominations Committee

The Nominations Committee has the role of identifying suitable prospective directors for shareholder selection and preparing those directors for their role within the Company.

At 31 March 2021 the members of the Nominations Committee were Jim Minto (chair), Joanna Perry, Menes Chee (appointed 25 February 2021), and Julie Fahey.

The primary responsibilities of the Nominations Committee are:

- Provide assurance and make recommendations to the Board as to the Board's size, composition, diversity and desirable expertise appropriate for the discharge of its responsibilities and duties in accordance with the law and with the strategic direction of the Company.
- Review the criteria for the selection of directors and recommend to the Board any necessary alterations to that criteria to ensure the Company has a formal and transparent process for the selection and appointment of new directors.
- Develop and implement a plan for identifying and assessing director competencies.
- Where there is a vacancy or pending vacancy, recommend appropriate candidates to the Board based on the approved criteria and process for consideration.
- Implement adequate succession plans for key roles such as Chairman and the chairs of the various Board committees, in order that the effective composition, size and expertise of the Board is maintained.
- Monitor and report to the Board on director independence.
- Undertake a review of the Committee's effectiveness and report on the actions of that review to the Board.

Conduct and Culture Committee

The Committee assists the Board with the proper and efficient discharge of its responsibilities in respect of oversight of conduct and culture at the Company.

At 31 March 2021 the members of the Conduct and Culture Committee were Jim Minto (chair), Joanna Perry and Julie Fahey. On 28 June 2021 Daniel Kearns joined the Conduct and Culture Committee.

The primary responsibilities of the Conduct and Culture Committee are:

- Oversee and monitor conduct and culture risk;
- Regularly meet with employees of the Company to discuss any conduct or culture related issues; and
- Oversee culture within the Company to ensure that management are setting the tone for how employees should behave.

Continued on Page 51 →

← Continued from Page 50

Board Attendance

Attendance at the scheduled and ad-hoc meetings of the Board and its Committees for the year ended 31 March 2021 is shown in the table below.

Director	Board	Audit Committee	Risk Committee	Conduct & Culture Committee	Remuneration Committee
Meetings during the year to 31 March 2021	**22**	**5**	**9**	**3**	**5**
J R Minto (Chairman)	21	5	9	3	5
N E Ballantyne	22	n/a	n/a	n/a	n/a
J M G Perry	22	5	9	3	5
T O Bennett	21	n/a	9	n/a	n/a
M O Chee[4]	2	n/a	n/a	n/a	n/a
P Chrystall	17	n/a	n/a	n/a	n/a
J A Fahey	19	n/a	9	3	5
S M Ruha[3]	18	4	5	n/a	n/a
D E Kearns[1]	14	n/a	n/a	n/a	n/a
K Y See[2] (resigned 15 April 2021)	5	n/a	n/a	n/a	n/a
K K Moorjani[1] (resigned 25 February 2021)	16	n/a	n/a	n/a	5
L D Parikh[2] (resigned 15 April 2021)	22	5	8	n/a	n/a

Directors may attend any meeting by video conference or telephone.
An n/a indicates that the Director is not a member of that particular committee but may have attended as an observer.
[1] D E Kearns was an alternate director for K K Moorjani from 10 September 2020 to 25 February 2021, and then for M O Chee from 25 February 2021.
[2] K Y See was an alternate director for L D Parikh.
[3] S M Ruha was appointed in May 2020. Meeting attendance reflects the meetings attended since that date.
[4] M O Chee was appointed in February 2021. Meeting attendance reflects the meetings attended since that date.

Policies

The following policies have been approved by the Board:

- Risk Management Program.
- Capital Management Policy.
- SIPO Policy.
- Fit and Proper Policy.
- Director Conflict of Interest Policy.
- Privacy Disclosure Policy.
- Whistleblower Policy.
- Financial Model Risk Policy.
- Crisis Management Policy.
- Delegations of Authority Policy.
- Code of Conduct.
- Policy Governance Framework.
- Anti-Corruption Compliance Policy.
- Dividend Policy.
- Audit Independence Policy.
- Customer Policy.
- Financial Strength Rating Disclosure Policy.
- Remuneration Policy.
- Product Development Policy.
- Pricing Policy.
- Complaints Policy.
- Records Management Policy.
- Reinsurance Policy.
- Actuarial Advice Policy.

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Independent Auditor's Report

To the shareholder of Partners Life Limited

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements of Partners Life Limited (the "Company") on pages 6 to 40:

i. present fairly in all material respects the Company's financial position as at 31 March 2021 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

— the statement of financial position as at 31 March 2021;

— the statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the Company including an audit of the insurer solvency return, and advisory services. Subject to certain restrictions, partners and employees of our firm may also deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. These matters have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interest in, the Company.

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the financial reporting systems, processes and controls, and the industry in which it operates.

The context for our audit is set by the Company's activities in the year ended 31 March 2021. The Company had a continued focus on new business growth, profitability and retention of policyholders.

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Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at $4.418 million determined with reference to a benchmark of Company net assets. We chose the benchmark because, in our view, this is a key measure of the Company's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholder as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements

Valuation of insurance contract assets ($867.8m), insurance contract liabilities ($140.1m), present value of future tax payable in insurance contract assets and liabilities ($241.2m) and associated net movement in insurance contract assets and liabilities ($58.4m)

The key audit matter	How the matter was addressed in our audit

Refer to Note 14 to the financial statements.
 	
The valuation of insurance contract assets, insurance contract liabilities and present value of future tax payable in insurance contract assets and liabilities is a key audit matter because of the judgement required in projecting expected cash flows long into the future and the impact these have on profitability and the asset and liability base of the Company.
 	
All forward looking assumptions are inherently uncertain, with added uncertainty in respect of the impact of COVID-19, in particular, assumptions around expected life, trauma and redundancy claims, the duration and incidence of disability income claims, including mental health. Assumptions around future new business volumes also impact the length of time it will take to utilise incurred tax losses, the extent of any future tax losses, and therefore the present value of future tax payable.
 	
The net movement in insurance contract assets and liabilities is a function of the same valuation uncertainties, being the year on year movement in the valuation. This movement includes the release of profit
	Our audit procedures included, in conjunction with our actuarial specialists:
	
	— Assessing the effectiveness of controls around the authorisation and set up of new policies and authorisation of claim payments.
	
	— Checking the completeness and accuracy of the data used in the valuation process. The data is projected over the expected life of the policy.
	
	— Assessing the appropriateness of any valuation model changes and the change control processes surrounding any changes.
	
	— Assessing any changes to reinsurance arrangements and the accounting treatment applied.
	
	— With our actuarial specialists, challenging the actuarial methods and key assumptions used in the valuation by comparing key assumptions and expected experience to:
	
	    — actual historical experience;
	
	    — observable market data, including industry average and experience for certain classes of business and assumptions; and
	
	    — actuarial and accounting standard requirements.

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from the expected cash flows, using net claims experience as a basis for the release.

Specific audit and actuarial expertise is required to evaluate complex actuarial methodologies and assumptions that take into account the risks and uncertainties of the particular classes of insurance business written.

The key factors that affect the valuation of these balances are:

— The cost of providing benefits and administering the insurance contracts.

— The costs incurred in acquiring the insurance policies (acquisition costs), including adviser commissions, underwriting and policy issue costs.

— Mortality and morbidity experience on life insurance products.

— Discontinuance experience which affects the ability to recover acquisition costs.

— Reinsurance arrangements and timing of future cash flows under these arrangements, which include reinsurance expense, reinsurance recoveries, reinsurance commission revenue.

— Future premium rates.

— The present value of future tax payable based on the ability to utilise past and future tax losses.

— Treatments of cash inflows and outflows for tax purposes. This is a key input to determining the number of months not paying tax into the future which is a key assumption in determining the present value of future tax payable in insurance contract assets and liabilities.

— Other factors such as regulation, competition, interest rates, and general economic conditions are used in the valuation of insurance contract assets and liabilities.

— Determination of an appropriate basis on which to release profit in future periods.

We also draw attention to Note 5 of the financial statements which describes the impact of COVID-19 on the business.

We also draw attention to Note 7 of the financial statements which sets out the Company's solvency position.

— Consider and assess the appropriateness of the Company's documentation of the impact of COVID-19 on the adopted assumptions, including the process to determine these.

— Specific to the assumption on the number of months not paying tax, which is a key assumption in determining the present value of future tax payable in insurance contract assets and liabilities, challenging the reasonableness of retention of past tax losses, and challenging the tax treatment of cash inflows and outflows including reinsurance cashflows. Our approach also included challenging the reasonableness of future cash flows, which includes an assessment of the amount of additional tax losses expected to be incurred in the future, and an assessment of future profits against which tax losses can be utilised.

— Assessing the historical accuracy of the estimate by testing the "analysis of profit", which compares the Company's expected profit to actual profit. This included challenging the consistency of the analysis compared with our understanding of the business and emerging claims and lapse experience.

— Evaluating the work of the Company's Chief Actuary, which is reviewed by the external Appointed Actuary, and assessing their competence and objectivity.

— Checking that information in the actuarial valuation report is consistent with the information disclosed in the financial statements.

— Obtaining and reviewing correspondence with the regulators, including the Reserve Bank of New Zealand ("RBNZ") during the period, and considering any impact on the valuation and solvency.

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Valuation of claims accruals ($108.5m) and associated reinsurance recoveries ($72.1m)

The key audit matter	How the matter was addressed in our audit
Refer to Notes 15 and 20 to the financial statements. The valuation of claims accruals and associated recoveries involves judgement given the inherent uncertainty over the final claims settlement. This is particularly true for claims incurred but not yet reported to the Company. There is generally a lower level of information available in respect of these claims. In the current COVID-19 environment, there is inherently more uncertainty in forward looking assumptions such as the duration of disability income claims. This estimate relies on the quality of underlying data, including historic claims data, and the application of complex and subjective actuarial models and methodologies, judgements and assumptions about the future events.	Our audit procedures included: — For a sample of claims which have been reported to the Company but not yet paid, checking that the claims estimate is based on the latest available information and that the reinsurers' share of the claim is calculated correctly. — Using our actuarial specialist to challenge the actuarial methods and key assumptions used in the valuation of the provision held for claims incurred but not yet reported to the Company. — Assessing the historical accuracy of the estimate by testing the "analysis of profit", which compares the Company's expected profit to actual profit. This included challenging the consistency of the analysis compared with our understanding of the business and emerging claims and lapse experience. — Checking the credit ratings of reinsurers for any indication that the reinsurers may not have the ability to settle their claims.

Other information

The directors, on behalf of the Company, are responsible for the other information included in the entity's Annual Report and Financial Statements. Other information includes the Approval of Annual Report, Company Directory and Corporate Governance Statement. Our opinion on the financial statements does not cover any 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 in the audit or otherwise appears materially misstated. If, based on 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.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent 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 shareholder as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objective is:

- 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 independent auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:
http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

This description forms part of our independent auditor’s report.

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

For and on behalf of

KPMG

KPMG
Auckland

29 July 2021

Deloitte.

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26 July 2021

The Directors
Partners Life Limited
Private Bag 300995
Albany
AUCKLAND 7520

Dear Directors

Report under Section 78 of the Insurance (Prudential Supervision) Act 2010
Review of *actuarial information* for Partners Life Limited as at 31 March 2021

a) This report has been prepared by Alan Merten FNZSA FIAA for the purpose of Section 78 of Insurance (Prudential Supervision) Act 2010 ("IPSA"). It has been included in the Partners Life Limited ("PLL") financial statements.

b) The report provides information to the Directors and management of PLL regarding a review of the actuarial information (Section 77 of IPSA) contained in the 31 March 2021 PLL financial statements and provides an opinion as to its appropriateness. This report has not been prepared with any other additional purposes in mind.

c) My review of the actuarial information included the following:
- Review of the Policy Liability valuation report prepared by the PLL Chief Actuary, Anton Gardiner "Report on the Valuation of Policy Liabilities as at 31 March 2021" dated 26 July 2021. This report included the following actuarial information:
    i. Insurance contract assets (Policy Liabilities before reinsurance);
    ii. Insurance contract liabilities – reinsurance (Policy Liabilities in respect of reinsurance);
    iii. Present value of future tax payable in insurance contract assets and liabilities.
- Review of the calculations determining the solvency position of the company, Statutory Fund and Shareholder Fund.

d) I am a Partner at Deloitte and act as Appointed Actuary for PLL under a contract for services. I have no financial interests in PLL.

e) There were no restrictions or limitations placed on my work or on my report. I obtained all the information I required.

f) In my opinion and from an actuarial perspective:
- The actuarial information contained in the 31 March 2021 PLL financial statements has been appropriately included in those financial statements; and
- The actuarial information used in the preparation of the 31 March 2021 PLL financial statements has been appropriately used in those financial statements.

g) In my opinion and from an actuarial perspective PLL maintained a Solvency Margin as at 31 March 2021 that complies with the Solvency Standard for Life Insurance Business issued by the Reserve Bank of New Zealand. This has been maintained at both an overall company level and for the Statutory Fund and Shareholder Fund.

Yours sincerely

Alan Merten; FNZSA FIAA
Appointed Actuary
Partners Life Limited

Partners Life Limited, Private Bag 300995, Albany, Auckland 0752, New Zealand.