

TELECO INSURANCE (NZ) LIMITED

ANNUAL REPORT 2021

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**TELECO INSURANCE (NZ) LIMITED
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COMPANY DIRECTORY

Nature of business:

Mobile phone insurance

Registered office:

Level 2
Spark City
167 Victoria Street West,
Auckland, 1010
New Zealand

Company registration number:

509425

Directors:

Richard Quince
Alastair White

Shareholder:

Spark New Zealand Limited

Auditors:

Deloitte
Levels 12-18
80 Queen Street
Auckland

Bankers:

Westpac Banking Corporation



Richard Quince
DIRECTOR



Alastair White
DIRECTOR

26 October

Date 2021

TELECO INSURANCE (NZ) LIMITED
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Statement of profit or loss and other comprehensive income

		2021	2020
YEAR ENDED 30 JUNE	NOTES	\$'000	\$'000
Insurance premiums		17,707	18,178
Claims expense	2	(7,005)	(6,748)
Operating expenses	3	(259)	(255)
Underwriting surplus		10,443	11,175
Finance income	4	3,776	3,228
Net earnings before income tax		14,219	14,403
Income tax expense	5	(3,942)	(3,690)
Total comprehensive income for the year		10,277	10,713

See accompanying notes to the financial statements.

Statement of financial position

		2021	2020
AS AT 30 JUNE	NOTES	\$'000	\$'000
Current assets			
Cash and cash equivalents	6	538	534
Interest receivable		-	1
Prepayments		21	54
Amounts due from related parties	10	70,216	60,457
Total current assets		70,775	61,046
Non-current assets			
Deferred tax assets	5	21	23
Total non-current assets		21	23
Total assets		70,796	61,069
Current liabilities			
Outstanding claims liability	7	423	493
Unearned revenue		720	754
Amounts due to related parties	10	905	1,254
Taxation payable	5	3,904	4,001
Total current liabilities		5,952	6,502
Total liabilities		5,952	6,502
Equity			
Share capital	8	1	1
Retained earnings		64,843	54,566
Total equity attributable to equity holders of the Company		64,844	54,567
Total liabilities and equity		70,796	61,069

See accompanying notes to the financial statements.

On behalf of the Board



Richard Quince
Director



Alastair White
Director

26 October

Authorised for issue on _____ 2021

TELECO INSURANCE (NZ) LIMITED
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Statement of changes in equity

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
	\$'000	\$'000	\$'000
YEAR ENDED 30 JUNE 2021			
Balance at 1 July 2020	1	54,566	54,567
Net earnings for the year	-	10,277	10,277
Total comprehensive income for the year	-	10,277	10,277
Balance at 30 June 2021	1	64,843	64,844

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
	\$'000	\$'000	\$'000
YEAR ENDED 30 JUNE 2020			
Balance at 1 July 2019	1	43,853	43,854
Net earnings for the year	-	10,713	10,713
Total comprehensive income for the year	-	10,713	10,713
Balance at 30 June 2020	1	54,566	54,567

See accompanying notes to the financial statements.

Statement of cash flows

	2021	2020
	\$'000	\$'000
YEAR ENDED 30 JUNE		
Cash flows from operating activities		
Interest income	4	10
Net cash flows from operating activities	4	10
Net cash flow	4	10
Opening cash position	534	524
Closing cash position	538	534

Reconciliation of net earnings to net cash flows from operating activities

	2021	2020
	\$'000	\$'000
YEAR ENDED 30 JUNE		
Net earnings for the year	10,277	10,713
Adjustments to reconcile net earnings to net cash flows from operating activities		
Insurance premiums	(17,707)	(18,178)
Claims incurred	7,005	6,748
Operating expenses	259	255
Intercompany interest income	(3,772)	(3,218)
Income tax expense	3,942	3,690
Net cash flows from operating activities	4	10

See accompanying notes to the financial statements.

Spark New Zealand Trading Limited collects insurance premiums and settles claims on behalf of the Company. The operating and financing activities of the Company are settled through intercompany current accounts held with Spark Finance Limited, which are not considered cash equivalents.

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Notes to the financial statements

Note 1 Accounting Policies

Reporting entity

Teleco Insurance (NZ) Limited (the "Company") is a wholly owned subsidiary of Spark New Zealand Limited ("the Parent"), Spark New Zealand Limited and its subsidiaries together form the "Spark Group".

The principal activity of the Company is to provide insurance policies for mobile phone handsets sold by the Spark Group. The Company has a credit rating with Standard and Poor's of BBB+, which was reaffirmed on 17 December 2020.

The Company is a profit-oriented entity and was incorporated in New Zealand on 18 July 1991, registered under the Companies Act 1993. The introduction of the Insurance (Prudential Supervision) Act 2010 requires all insurers carrying on insurance business in New Zealand to be licensed by the Reserve Bank of New Zealand ("RBNZ"). The Company was granted a full license on 10 June 2013. In accordance with the terms of the license, the Company is a reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

Basis of preparation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. They have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013. The financial statements also comply with International Financial Reporting Standards ('IFRS').

Measurement basis

The measurement basis adopted in the preparation of these financial statements is historical cost, with the exception of the outstanding claims liability, which is stated at present value in accordance with IFRS 4. The financial statements are presented in New Zealand dollars, the Company's functional and presentation currency. All financial information has been rounded to the nearest thousand dollars, unless otherwise stated. Certain comparative information has been updated to conform with the current year's presentation.

Insurance premiums

Insurance premiums comprises amounts charged to the policy holders. The earned portion of premiums received and receivable is recognised as revenue. Insurance premiums are earned over the indemnity period based on the pattern of risks underwritten, from the date of attachment of risk. Unearned revenue comprises the element of the monthly premiums paid in advance by customers part way through the month preceding the year-end, that relates to insurance coverage post the year-end reporting date.

Taxation

The taxation expense charged to earnings includes both current and deferred tax and is calculated after allowing for non-temporary differences. Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Deferred taxation is recognised using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for temporary differences arising on initial recognition of an asset or liability (unless arising in a business combination or impacting profit or loss). Future tax benefits are recognised where realisation of the asset is probable. Deferred tax is determined based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Current and deferred tax is recognised in the statement of profit or loss, except when the tax relates to items charged or credited directly in equity or other comprehensive income, in which case the tax is also recognised in equity and other comprehensive income.

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Notes to the financial statements

Note 1 Accounting Policies (continued)

Claims and outstanding claims liability

Claims expense consists of payment for claims, direct costs incurred in administering claims and the movement in the outstanding claims liability. Claims represent the benefits paid or payable to the policyholder on the occurrence of an event giving rise to a claim according to the terms of the policy. Claims expenses are recognised in the statement of profit or loss and other comprehensive income according to the point in time when the event giving rise to the claim occurs.

The outstanding claims liability is calculated retrospectively based on claims reported but not yet paid; claims incurred prior to the year-end but not yet reported (IBNR); expected direct and indirect claims settlement costs; plus a risk margin. The IBNR is calculated using an average term to settlement based on historic settlement patterns, which for the current and previous financial years was deemed to be 50% of the total claims settlement value for the month subsequent to the year-end date.

The value of outstanding claims has not been discounted because the period between the date of claim and the settlement date is short (within one year) and the valuation estimates of an expected level of payment allows for current inflation. The variation in outcome of the claims liability will be small because the valuation of claims for replacement mobile handsets is based on current retail prices, the number of open claims relating to the financial year is known, and the insurance settlement date is short.

Financial assets backing general insurance liabilities

The Company's financial assets consist primarily of surplus funds invested with Spark Finance Limited, and these funds are used to back both general insurance liabilities and financial liabilities arising under non-insurance contracts. The Company has an agreement with Westpac to guarantee \$25 million of its receivable from Spark Finance Limited (2020: \$25 million).

Interest income

Interest income is recognised on an effective interest basis.

New standards not yet adopted

NZ IFRS 17 Insurance Contracts

NZ IFRS 17 Insurance Contracts (NZ IFRS 17) replaces the current guidance in NZ IFRS 4, and establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts. NZ IFRS 17 is effective for annual periods beginning on or after 1 January 2023. The impact on adoption is still to be determined.

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Notes to the financial statements (continued)

Note 2 Claims expense

	2021	2020
YEAR ENDED 30 JUNE	\$'000	\$'000
Claims incurred in current year	6,500	6,234
Risk margin expense	55	64
Claims management fee	450	450
Total claims expense	7,005	6,748

Claims incurred in the current year relate fully to risks borne in the current year.

Note 3 Operating expenses

	2021	2020
YEAR ENDED 30 JUNE	\$'000	\$'000
Credit rating fee	58	58
Audit fees	16	24
Directors' fees	10	10
Other operating expenses	175	163
Total operating expenses	259	255

The Company had no employees in the current year (2020: nil). Some costs are incurred by other Spark Group subsidiaries on behalf of the Company for administration and accounting services.

Note 4 Finance income

	2021	2020
YEAR ENDED 30 JUNE	\$'000	\$'000
Intercompany interest income	3,772	3,218
Other interest income	4	10
Total finance income	3,776	3,228

Note 5 Taxation

	2021	2020
YEAR ENDED 30 JUNE	\$'000	\$'000
Current year income tax expense		
Current year income tax	3,906	3,344
Adjustment in respect of prior periods	40	343
Deferred income tax		
Provisions	(3)	3
Adjustment in respect of prior periods	(1)	-
Income tax expense per statement of profit or loss and other comprehensive income	3,942	3,690
Reconciliation of tax expense		
Net earnings before income tax	14,219	14,403
Tax at 28%	3,982	4,033
Adjustment in respect of prior periods	(40)	(343)
Income tax expense per statement of profit or loss and other comprehensive income	3,942	3,690
Taxation payable	2021	2020
AS AT 30 JUNE	\$'000	\$'000
Balance at the beginning of the year	4,001	4,496
Income tax expense per statement of profit or loss and other comprehensive income	3,942	3,690
Tax paid and inter-group allocation	(4,039)	(4,185)
Balance at the end of the year	3,904	4,001

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Notes to the financial statements (continued)

Note 5 Taxation (continued)

Deferred tax asset	2021	2020
AS AT 30 JUNE	\$'000	\$'000
Balance at the beginning of the year	23	20
Adjustment in respect of prior periods	1	-
Adjustments relating to current period provisions	(3)	3
Balance at the end of the year	21	23

Note 6 Cash and cash equivalents

	2021	2020
AS AT 30 JUNE	\$'000	\$'000
Cash at bank	38	34
Short-term investments	500	500
Total cash and cash equivalents	538	534

Note 7 Outstanding claims liability

	2021	2020
AS AT 30 JUNE	\$'000	\$'000
Outstanding claims liability	368	429
Risk margin	55	64
Total outstanding claims liability	423	493

Michael Playford FNZSA FIA (PWC) is the Appointed Actuary for the Company. The actuary has nominated a risk margin to allow for uncertainty in the central estimate of claims and to achieve a 75% probability of sufficiency of the provision. A 1% increase / (decrease) in the risk margin assumption does not result in a material impact on the reported profit, outstanding claims liabilities and equity of the Company. The actuary is satisfied as to the nature, sufficiency, and accuracy of the data used to determine the outstanding claim liabilities

The liability adequacy test which was performed as at 30 June 2021 identified a surplus for the Company (30 June 2020: surplus).

Reconciliation of movement in claims liability:

	2021	2020
AS AT 30 JUNE	\$'000	\$'000
Balance at the beginning of the year	493	399
Claims notified	6,656	7,064
Claims expenses	(7,005)	(6,748)
Movement in risk margin	(9)	12
Movement in amounts receivable from Spark New Zealand Trading Limited	349	(316)
Movement in claims incurred but not reported (IBNR)	(61)	82
Balance at the end of the year	423	493

Note 8 Equity

Ordinary shares

	ORDINARY SHARES	
	Number	\$'000
As at 30 June 2021	100	1
As at 30 June 2020	100	1

Each share confers on the holder the right to vote at any meeting of shareholders. The Company maintains equity in the form of retained earnings of \$65 million (2020: \$55 million), and the Directors believe that this is an appropriate level to cover its exposure to risk, based on annual aggregate exposure and loss history.

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Notes to the financial statements (continued)

Note 9 Risk management

The Company is exposed to a number of risks in the normal course of business, primarily insurance risk, financial risk (liquidity risk and interest rate risk), credit risk and capital adequacy.

Insurance risk

The Company's main insurance risk is from the increasing value of smartphones which will impact on claim costs in the future. Therefore, the main risk management objective is to manage the magnitude and the volatility of claim costs. Aon New Zealand Limited, the claims administrator, also actively manages claim activity, with assistance from the Spark Group. The Company reviews premium rates by having the Appointed Actuary regularly review the premium rates to ensure that prices reflect risk.

For the Company a broader risk is the reliance on one line of business (namely mobile handset insurance for pay-monthly customers). If something were to arise that negatively affect this, such as reduced use of mobile phones or alternative customer propositions, it would have a flow on impact on the Company's financial position. The probability of catastrophe risk causing a large number of handset replacement claims is low as the value of policies is relatively low and policyholders are geographically widespread throughout New Zealand.

Financial risk

a) Liquidity risk

Nature of the risk

Liquidity risk is the risk that the Company is unable to pay claims and operating expenses as they fall due.

Exposure and risk management

The company manages liquidity through risk by holding surplus funds of \$67 million (2020: \$57 million) in an on-call current account with Spark Finance Limited. The Company has entered into an agreement with Westpac Banking Corporation to guarantee \$25 million of the \$67 million funds held by Spark Finance Limited, in order to mitigate the risk of asset concentration of these funds being held by a related party. All financial liabilities, including outstanding claims liabilities are treated as current with the settlement of recognised insurance liabilities expected to be within 12 months. Westpac New Zealand Limited has current credit ratings of AA- with Standard and Poor's, and A1 with Moody's Investor Services.

b) Interest rate risk

Nature of the risk

Interest rate risk is the risk that fluctuations in interest rates impact the Company's financial performance or the fair value of its holdings of financial instruments.

Exposure and risk management

There is minimal interest rate risk as surplus funds invested with Spark Finance Limited earn a fixed interest rate of 6% (2020: 6%) and amounts are repayable at book value at the option of the Company or Spark Finance Limited. Both the Company and Spark Finance Limited have the ability to renegotiate terms of the agreement at any time. An interest risk exists when short-term investments held with financial institutions mature and a new investment is purchased.

c) Credit risk

Nature of the risk

The Company incurs credit risk related to financial assets of \$71 million (2020: \$61 million).

Exposure and risk management

Except for \$500,000 invested with a financial institution, the Company's funds are invested in Spark Finance Limited. The board of directors of Spark Finance Limited have approved a credit risk policy that limits exposure with counterparties by placing its cash and short-term investments with high credit quality financial institutions and sovereign bodies, and it also limits the amount of credit exposure to any one of these financial institutions.

The Parent (which guarantees Spark Finance Limited's debt) has a credit rating from Standard & Poor's as at 30 June 2021 as follows:

Long Term Senior Debt	A-
Short Term Debt	A-2
Outlook	Stable

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Notes to the financial statements (continued)

Note 9 Risk management (continued)

Capital adequacy

Capital management policies and objectives

The Insurance (Prudential Supervision) Act 2010 ("the Act") requires all general insurance entities carrying on business in New Zealand to be licensed by the Reserve Bank of New Zealand. The Company held a full licence in the current financial year. The Company is managing its capital in accordance with the requirements of the Act.

Under the Solvency Standard for Non-life Insurance Business ("the solvency standard") issued by the Reserve Bank of New Zealand, the Company is required to maintain a solvency margin as determined under the solvency standard at or above the minimum solvency capital level.

The Company satisfied all externally imposed capital requirements which they were subject to during the year ended 30 June 2021. The Company has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the solvency standard.

Capital composition

The Company manages its capital by considering both regulatory and economic capital. The primary source of capital used is total equity attributable to owners. Total equity attributable to owners equates to "capital" as defined in the solvency standard and shown below.

Regulatory capital is made up of two components, actual solvency capital and minimum solvency capital, with the difference representing the solvency margin. The calculation of the solvency margin for the Company is detailed below:

	2021	2020
	\$'000	\$'000
AS AT 30 JUNE		
Actual solvency capital	64,823	54,544
Minimum solvency capital	49,961	40,231
Solvency margin	14,862	14,313
Solvency ratio	1.30	1.36

Note 10 Related parties

	2021	2020
	\$'000	\$'000
AS AT 30 JUNE		
Current assets		
Amounts due from Spark Finance Limited	67,024	57,032
Amounts due from Spark New Zealand Trading Limited	3,192	3,425
Total amounts due from related parties	70,216	60,457
Current liabilities		
Amounts due to Spark New Zealand Trading Limited	509	517
Amounts due to Telegistics Limited	396	737
Total amounts due to related parties	905	1,254

Transactions occurring during the year:

YEAR ENDED 30 JUNE	2021	2020
	\$'000	\$'000
Spark Finance Limited:		
Net operating transactions	10,256	10,668
Interest received	3,772	3,218
Tax adjustments and loss offsets	(4,036)	(4,189)
Spark New Zealand Trading Limited:		
Replacement mobile handsets	(819)	(1,712)
Telegistics Limited:		
Replacement mobile handsets	(5,736)	(4,586)

At 30 June 2021, the Company owes amounts to Spark New Zealand Trading Limited for the reimbursement of expenses paid to suppliers and for replacement mobile handsets provided to insurance claimants on the Company's behalf (30 June 2020: same). No related party debts have been written off or forgiven during the year.

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Notes to the financial statements (continued)

Note 10 Related parties (continued)

Insurance premium revenue is net of administration costs charged by Spark New Zealand Trading Limited of \$1,652,000 (30 June 2020: \$1,710,000). The expense for claims incurred in the current year is net of rebates given to the Company by Spark New Zealand Trading Limited of \$2,064,000 (30 June 2020: \$1,730,000).

Note 11 Contingent liabilities

The Directors are not aware of any significant contingent liabilities at 30 June 2021 (30 June 2020: nil).

Note 12 Capital commitments

There are no capital commitments at 30 June 2021 (30 June 2020: nil).

Note 13 Subsequent events

There have been no events subsequent to balance date that impact these financial statements.

Independent Auditor's Report

To the Shareholder of Teleco Insurance (NZ) Limited

Opinion

We have audited the financial statements of Teleco Insurance (NZ) Limited (the 'Company'), which comprise the statement of financial position as at 30 June 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 3 to 11, present fairly, in all material respects, the financial position of the Company as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

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

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

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

Other than in our capacity as auditor, we have no relationship with or interests in the Company. Our firm carries out other assignments for the Parent, Spark New Zealand Limited in relation to regulatory audit, other assurance related services (such as trustee reporting), Holiday Act 2003 compliance, taxation compliance and advisory services and non-assurance services provided to the Corporate Taxpayers Group. These services have not impaired our independence as auditor of the Company or its Parent, Spark New Zealand Limited. In addition to this, the Chief Executive of Spark New Zealand Limited has both a sister and brother-in-law that are partners at Deloitte. These Deloitte partners are not involved in the provision of any services to the Company or its Parent, Spark New Zealand Limited and this matter has not impacted our independence. Also, partners and employees of our firm deal with Spark New Zealand Limited and its subsidiaries on normal terms within the ordinary course of trading activities of its business. The firm has no other relationship with, or interest in the Company or its Parent.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Company that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Company's financial statements as a whole to be \$1,066,000.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of outstanding claims liability</p> <p>Refer to Note 7 of the financial statements.</p> <p>Valuation of outstanding claims is a key audit matter due to the judgement required to calculate the outstanding claims liability.</p> <p>The outstanding claims liability is driven by a number of key assumptions. These assumptions, determined by actuarial techniques and methodologies, are based on past experience and industry practice to ensure appropriate provisioning for outstanding claims.</p> <p>The Company engages an external actuarial expert to assist in the assessment of the valuation.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Engaging our internal specialist to assess the valuation approach adopted by the Company in determining the outstanding claims liability; Critically evaluating the Company's judgement and assumptions adopted in the execution of the outstanding claims liability calculations and comparing the overall results to our expectations based on historical claim trends; Obtaining the external actuarial expert's report and assessing the findings to ensure the provision is appropriately recorded; Assessing the accuracy and completeness of the outstanding claims liability by comparing the actual July 2021 claims against the outstanding claims provision raised and actuarial expert's report; and Assessing the disclosures in the financial statements against the requirements of the accounting standards.
<p>Directors' responsibilities for the financial statements</p>	<p>The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial statements, the directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.</p>
<p>Auditor's responsibilities for the audit of the financial statements</p>	<p>Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.</p> <p>A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:</p> <p>https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2</p> <p>This description forms part of our auditor's report.</p>
<p>Restriction on use</p>	<p>This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.</p>

Deloitte Limited

Jason Stachurski
Partner
for Deloitte Limited
Auckland, New Zealand
26 October 2021



The Board of Directors
Teleco Insurance (NZ) Limited
42-52 Willis Street
Wellington

26 October 2021

Appointed actuary's review of actuarial information for Teleco Insurance (NZ) Limited

To the Directors of Teleco Insurance (NZ) Limited,

This letter has been prepared for Teleco Insurance (NZ) Limited ("Teleco") to meet the requirements of Section 78 of the Insurance (Prudential Supervision) Act 2010 ("the Act") in respect of Section 77 of the Act which requires that each Licensed insurer must ensure that the actuarial information contained in, or used in preparation of, the financial statements of the insurer is reviewed by the appointed actuary.

I have reviewed the following actuarial information included in the audited accounts for Teleco as at 30 June 2021:

- Outstanding claims liability.
- Unearned premium liability.

I have been provided with all the information and explanations that I have required to complete my review.

I am the appointed actuary to Teleco and am an Executive Director of PricewaterhouseCoopers New Zealand. I am independent of Teleco.

In my opinion:

- the actuarial information contained in the financial statements has been appropriately included in those statements; and
- the actuarial information used in the preparation of the financial statements has been used appropriately; and
- Teleco is maintaining a solvency margin as required under the Solvency Standard for Non-Life Insurance Business 2014 (incorporating amendments to November 2018), issued by the Reserve Bank of New Zealand.





Reliances and limitations

This letter has been prepared for Teleco and is provided in accordance with the terms set out in our statement of work signed 18 August 2021.

No distribution of this letter to third parties, other than as required by law is permitted by us. There may be requests for our letter to be copied to third parties. We will be happy to consider these requests, as and when they arise.

Our responsibilities and liabilities are limited to Teleco and exist only in the context of their use of our letter. No liability or responsibility will be accepted by us in relation to the use of our letter for any other purpose. We will not accept any liability or responsibility to any third party recipients.

We have relied on information provided to us in the course of carrying out our work. We perform some data validation checks but we have not verified all of the information provided to us, nor have we carried out anything in the nature of an audit. Accordingly, we express no opinion on the total reliability, accuracy or completeness of the information provided to us and upon which we have relied. We have no reason to believe that the information provided to us is inaccurate or misleading.

This letter must be read in its entirety. Individual sections of this letter could be misleading if considered in isolation from each other. If distributed, this letter must be distributed in its entirety.

This letter is not considered an actuarial report under Professional Standard 90 of the New Zealand Society of Actuaries.

Yours sincerely

for **PricewaterhouseCoopers Consulting (New Zealand) LP**

A handwritten signature in black ink that reads 'Michael Playford'.

Michael Playford FNZSA
Executive Director and Appointed Actuary
michael.j.playford@pwc.com
T: +64 22 644 7012