Cigna Life Insurance New Zealand Limited

Annual Report
For the year ended 31 December 2021

Cigna Life Insurance New Zealand Limited

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

ANNUAL REPORT

The address for service for Cigna Life Insurance New Zealand Limited (the **Company**) is Level 24, Majestic Centre, 100 Willis Street, Wellington.

Pursuant to section 211(3) of the Companies Act 1993 (the Act), the shareholder of the Company has agreed that the Annual Report need not comply with any of the paragraphs (a), and (e) to (j) of subsection (1) and subsection (2) of section 211.

Accordingly, there is no information to be provided in this Annual Report other than the corporate governance statement, Appointed Actuary's report and the financial statements for the year ended 31 December 2021 and the audit report on those financial statements.

Signed for and on behalf of the Board of Directors:

Steven Fyfe	Paul Brock
Director	Director
12 April 2022	12 April 2022

ABOUT THE COMPANY

Cigna Life Insurance New Zealand Limited is wholly-owned by a subsidiary of Cigna Corporation, a Fortune 500 insurance and financial services company, and is part of Cigna Corporation's International division. These consolidated financial statements are for the Company and its subsidiary (together, 'the Group').

On 8 October 2021, Cigna Corporation announced a definitive agreement with Chubb Limited ('Chubb') to sell its life, accident and supplemental benefits businesses in seven countries, including the New Zealand Group. The transaction is expected to be completed in 2022, subject to applicable regulatory approvals and customary closing conditions. Once completed, this transaction will result in a divestment of Cigna Corporation's shareholding in the Company.

The Company underwrites and issues various insurance products including life, income protection, trauma, travel and funeral cover to the New Zealand market, and up until 14 March 2021 it provided financial adviser services as a Qualifying Financial Entity under the Financial Advisers Act 2008. From 15 March 2021 it has provided financial adviser services as a Financial Advice Provider under the Financial Markets Conduct Act 2013 pursuant to a transitional licence.

The Company adheres to all published requirements, standards and guidelines of the Reserve Bank of New Zealand (RBNZ), including the RBNZ's Governance Guidelines (the Guidelines) for licensed insurers issued under the Insurance (Prudential Supervision) Act 2010 ('IPSA'). The Company also endeavours to embrace relevant non-mandatory governance guidelines or recommendations of the RBNZ, Financial Markets Authority and other relevant regulatory and governmental bodies.

THE BOARD AND ITS ROLE

The Company is governed by its Board of Directors who collectively exercise effective oversight of the Company's activities through the implementation of the Guidelines, its Board and Committee programmes and ongoing, regular dialogue with the Chief Executive Officer, Senior Management and other key personnel.

The role of the Board is to provide leadership, strategic guidance and effectively represent the interests of the stakeholders, including the shareholder, with the intention of achieving the Company's goals in a manner best serving the stakeholders as a whole.

The Board operates in accordance with applicable law, the Company's Constitution and its Board Charter. The Board Charter describes the Board's role, powers, responsibilities and relationship with management, the shareholder and other stakeholders.

The Board meets formally on a regular scheduled basis and holds additional meetings as required. The Board reviews its own performance annually, incorporating the performance of its established Committees.

BOARD COMPOSITION AND MEMBERSHIP

In accordance with the Guidelines, all current directors have been assessed by the Board in accordance with the Company's Fit and Proper Policy to have the appropriate fitness and propriety to properly discharge their responsibilities as a director and have been certified as meeting the RBNZ's Fit and Proper Standard for directors of licensed insurers. Directors are also required to abide by the Cigna Group's Code of Ethics and Principles of Conduct.

Those directors identified as independent are considered to meet the criteria for independence as set out in the Guidelines.

The Board is considered to be of sufficient size and, collectively, considered to hold the full range of skills, knowledge and experience necessary to provide effective, independent governance over the affairs and operations of the Company.

As at 31 December 2021 the Board's membership consisted of seven directors: four of whom are independent non-executive directors; one of whom is a non-executive director; and two of whom are executive directors. Information about each of the directors is set out below:

Paul Brock
BBus
Independent Non-Executive Director and Chair of Conduct and Culture Committee

Paul is a former Chief Executive of Kiwibank Group (seven years until 2017), and was an integral part of the small team that established Kiwibank in 2002. Paul is currently Chair of the New Zealand Story Group, Deputy Chair of Foley Wines, and a member of the Massey University Business School Advisory Board.

Gail Costa
BCA, CA
CEO and Executive Director

Gail is the Chief Executive Officer of Cigna New Zealand, and has over 30 years' experience in the insurance industry in senior leadership and governance roles in New Zealand, Turkey, the Hong Kong Special Administrative Region ('SAR') and the United Kingdom.

Debbie Eyre
MBA
Executive Director

Debbie is the Chief Operating Officer for Cigna New Zealand, with considerable experience in both leadership and governance roles in sectors including insurance, banking and financial services.

Rob Ellis
CSEP, IOD Member (MInstD)
Independent Non-Executive Director and Chair of the Human Resources and Remuneration Committee

Rob is the current Chief Executive of Sentro – a group insurance platform provider. An entrepreneur and company director, Rob brings international insight and experience successfully leading and directing companies in technology, media, financial services and digital. Rob is also a Director of Sentro Group and Spoke in London, and Trustee of The New Zealand Hi-Tech Foundation and Hi-Tech Awards Trust.

Steven Fyfe
BCA, CA, FINSIA (Fellow), IOD (Chartered Member)
Board Chair and Independent Non-Executive Director,

Steven has considerable senior leadership and governance experience in the banking and insurance sectors, and currently holds governance roles in a wide range of sectors including insurance, property, public services, charitable and the arts.

Patrick Graham
BA (Hons)
Non-Executive Director

Patrick is based in the Hong Kong SAR and is the Chief Executive Officer of Cigna Asia Pacific. He also holds the position of Head of Innovation, Analytics and Strategy for Cigna International.

Patrick has broad experience in Asia and Europe in the insurance and financial services industries in both senior leadership and governance roles.

Anne Urlwin
BCom, FCA, CFInstD, MAICD, FNZIM, ACIS
Independent Non-Executive Director and Chair of Audit and Risk Committee

Anne has considerable governance experience in a wide range of sectors including energy, health, construction, regulatory services, internet infrastructure, research, banking, forestry, sports administration and the arts.

Effective 21 February 2022, Anne Urlwin retired from the Board and the Company expects to appoint a new Independent Director in 2022.

BOARD COMMITTEES

As at 31 December 2021, the Board had established the following Committees to act for, and/or make recommendations to, the Board:

(i) Audit and Risk Committee

The Audit and Risk Committee provides independent oversight of the effectiveness of the Company's financial reporting, internal audit, risk management programme (including its Risk Management Framework and Risk Strategy), and compliance assurance activities.

The Committee assists the Board to discharge its responsibilities in relation to financial, risk and compliance matters, including internal and external audit functions.

The Audit & Risk Committee has adopted its own Charter approved by the Board and proceedings of this Committee are reported back to the Board. Both the Charter and Workplan are reviewed at least annually by the Committee. The Chair of this Committee is Anne Urlwin, independent, non-executive director of the Company. The independence of external auditors is reviewed by this Committee, and regular meetings are held, solely with the auditors as required to allow for open and transparent discussion.

The members of this Committee at 31 December 2021 are Anne Urlwin (Chair), Steven Fyfe, Rob Ellis, Paul Brock, Patrick Graham, Gail Costa and Debbie Eyre. Following Anne Urlwin's retirement on 21 February 2022 Paul Brock assumed the Chair role of the Committee.

(ii) Conduct and Culture Committee

The Conduct and Culture Committee assists the Board to provide focused oversight of activities specifically connected with the themes and findings arising out of both the Australian Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Australian Royal Commission) and the Thematic Review of Conduct & Culture in Life Insurers by Financial Markets Authority (FMA) and RBNZ (Conduct & Culture Review). In particular, the Committee monitors and provides oversight of the delivery of action plans arising out of the Conduct & Culture Review.

The Committee has adopted its own Charter approved by the Board and proceedings of this Committee are reported back to the Board. Both the Charter and Workplan are reviewed at least annually by the Committee.

The members of this Committee as at 31 December 2021 are Paul Brock (Chair), Steven Fyfe, Anne Urlwin, Rob Ellis, Patrick Graham, Gail Costa and Debbie Eyre.

(iii) Human Resources and Remuneration Committee

This Committee's purpose is to assist the Board in establishing remuneration and incentive policies and practices for staff, including in relation to incentive schemes, performance objectives and remuneration outcomes, in addition to providing governance oversight of Human Resources, Health, Safety and Well-being strategy, policies and practices.

The Human Resources and Remuneration Committee has adopted its own Charter approved by the Board and proceedings of this Committee are reported back to the Board. Both the Charter and Workplan are reviewed at least annually by the Committee.

Committee membership is made up of a majority of independent directors. The members of this Committee as at 31 December 2021 are Rob Ellis (Chair), Steven Fyfe, Anne Urlwin, Paul Brock and Patrick Graham.

BOARD PROGRAMME AND SCHEDULE

The Board currently meets at least six times each calendar year.

The Board approves for both itself and its Committees, an annual work programme for each calendar year that acts as a guide to the preparation of the agenda for each scheduled Board meeting. Agenda items may be added, deferred, brought forward or removed as necessary for each scheduled meeting.

For the year ended 31 December 2021, director attendance at Board and committee meetings was as recorded in the table below:

Attendance Records for Board and Committee Meetings						
Board Dates	**26-Feb 2021**	**21-Apr 2021**	**21-Jun 2021**	**19-Aug 2021**	**21-Oct 2021**	**17-Dec 2021**
Directors						
Steven Fyfe	✓	✓	✓	✓	✓	✓
Paul Brock	✓	✓	✓	✓	✓	✓
Rob Ellis	✓	✓	✓	✓	✓	✓
Anne Urlwin	✓	✓	✓	✓	✓	✓
Patrick Graham	✓	✓	✓	✓	✓	✓
Gail Costa	✓	✓	✓	✓	✓	✓
Debbie Eyre	✓	✓	✓	✓	✓	✓

The Board also meets as and when required in addition to these scheduled meetings, including workshops and development sessions.

GOVERNANCE POLICIES

The Board regularly reviews and assesses its governance policies, processes and practices to identify opportunities for enhancement and to ensure they reflect the Company's operations, culture and stakeholder environment. As a wholly-owned indirect subsidiary of its ultimate parent company, Cigna Corporation, the Company complies with Cigna Corporation's policies and requirements, except where they are inconsistent with New Zealand law or regulatory requirements, or where the Board considers that those policies or requirements are not in the best interests of the Company.

The Board has adopted a number of Cigna Corporation's policies (amended or supplemented to meet or otherwise reflect New Zealand, and/or the Company's, requirements) and has adopted other policies specific to the Company where warranted or required.

MANAGING CONFLICTS OF INTEREST

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest between their duty to the Company and their own interests. The Board maintains an Interests' Register for each director and senior executives which records their other interests and directors and senior executives are required to notify any changes to that register.

Where potential conflicts of interest do exist, a Director or senior executive must disclose this interest. The other members of the Board can then determine the most appropriate way of mitigating any actual or perceived conflicts of interest. Directors and staff are required to avoid or otherwise minimise any potential conflicts in line with the Company's Conflicts of Interest Policy.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has effected liability insurance for its directors and officers ('D&O'). The Company is covered by the Cigna Global D&O Liability Policy with the D&O Fiduciary Liability cover insured by ACE American Insurance (to 30 April 2022) and the D&O Defence Costs insured by Vero Liability Insurance (to 30 June 2022). Covered individuals include Directors and Officers of Cigna Corporation's foreign subsidiaries, employed lawyers and employees serving in approved Director or Officer positions. This insurance cover will continue in place on a run off basis for at least 6 years after the completion of the divestment of Cigna Corporation's shareholding in the Company.

DIRECTORS' FEES – 2021

Directors' fees start at a base of $61,500 with varying increments applied accordingly for Chairs of respective committees as outlined below. Director remuneration is closely aligned with company strategy and performance, as well as comparison with other organisations and Consumer Price Index Inflation.

Role	Start Date	Tenure at Dec-21 (completed years)	Base fee	Chair/Committee Chair Increment	Total
Board Chair	1 Jul 2012	9	$61,500	$51,250	$112,750
ARC Chair	27 Sep 2012*	9	$61,500	$20,500	$82,000
HRRC Chair	1 Aug 2020	1	$61,500	$12,300	$73,800
C&C Chair	1 Dec 2020	1	$61,500	$12,300	$73,800
Total			**$246,000**	**$96,350**	**$342,350**

* Based on original appointment to OPL Board.

Cigna Life Insurance New Zealand Limited

Statement of Comprehensive Income
For the year ended 31 December 2021

	Note	Group 2021 $000	Group 2020 $000 (Restated)
Premium revenue			
Premium revenue from insurance contracts	4	302,629	270,969
Outwards reinsurance expense	4	(42,628)	(37,664)
Net premium revenue		**260,001**	**233,305**
Other revenue			
Investment revenue	5	(14,498)	7,449
Fee and other revenue	6	6,162	5,466
Net other revenue		**(8,336)**	**12,915**
Payment under policies			
Claims expense	7	(114,698)	(109,039)
Reinsurance recoveries	7	30,820	28,732
Net claims expense		**(83,878)**	**(80,307)**
Change in insurance contract assets & liabilities	8	(28,866)	49,713
Operating expenses	9	(137,287)	(129,410)
Profit before income tax		**1,634**	**86,216**
Income tax credit / (expense)	10	(5,609)	(24,945)
(Loss)/profit after income tax		**(3,975)**	**61,271**
Other comprehensive income		-	-
Total comprehensive (loss)/income attributable to the owners of the Company		**(3,975)**	**61,271**

The notes on pages 13 to 50 are an integral part of these financial statements

Cigna Life Insurance New Zealand Limited

Statement of Changes in Equity
For the year ended 31 December 2021

	Note	Share capital $000	Retained earnings $000	Total equity $000
Opening balance 1 January 2020		500	104,246	104,746
Total comprehensive income 2020		-	61,271	61,271
Change in accounting policy	28		(2,512)	(2,512)
Shares issued	11	716,249	-	716,249
Balance at 31 December 2020 (Restated)		**716,749**	**163,005**	**879,754**
Total comprehensive income 2021		-	(3,975)	(3,975)
Dividend Paid ($0.11c per share)	11	-	(78,000)	(78,000)
Balance at 31 December 2021		**716,749**	**81,030**	**797,779**

All 716,749,000 ordinary shares (2020: 716,749,000) are ranked equally with one vote attached to each fully paid up ordinary share. There is no par value attached to the shares.

The notes on pages 13 to 50 are an integral part of these financial statements

Cigna Life Insurance New Zealand Limited

Statement of Financial Position

For the year ended 31 December 2021

	Note	Group 2021 $000	Group 2020 $000 (Restated)
Assets			
Cash and cash equivalents	12	41,679	44,007
Financial assets at fair value through profit or loss	13	230,648	272,232
Insurance receivables	15	11,497	12,893
Other receivables	16	8,534	13,575
Right-of-use assets	17	5,351	6,906
Life insurance contract assets	8	823,048	849,477
Property, plant and equipment	18	2,269	4,370
Intangible assets	19	93,894	95,631
Current tax asset		271	-
Total assets		**1,217,191**	**1,299,091**
Liabilities			
Accounts payable	20	13,530	14,575
Employee entitlements	21	11,983	12,106
Other liabilities		417	249
Lease liabilities	17	6,062	7,476
Provisions	22	4,362	9,315
Life insurance contract liabilities - reinsurance	8	168,357	165,920
Current tax liability		-	990
Deferred tax liability	10	214,701	208,706
Total liabilities		**419,412**	**419,337**
Net assets		**797,779**	**879,754**
Equity			
Share capital	11	716,749	716,749
Retained earnings		81,030	163,005
Total equity		**797,779**	**879,754**

For and on behalf of the Board of Directors:

Steven Fyfe
Director
12 April 2022

Paul Brock
Director
12 April 2022

The notes on pages 13 to 50 are an integral part of these financial statements

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Cigna Life Insurance New Zealand Limited

Statement of Cash Flows

For the year ended 31 December 2021

	Note	Group 2021 $000	Group 2020 $000 (Restated)
Cash flows from operating activities			
Premiums received		296,454	270,619
Reinsurance recoveries received		31,600	29,644
Investment income		6,110	4,340
Fees and other income		6,162	5,466
Claims expenses		(114,698)	(112,466)
Reinsurance premiums paid		(42,628)	(37,664)
Payments to suppliers and employees		(82,246)	(89,470)
Commission paid		(41,713)	(29,981)
Interest paid		(271)	(325)
Tax paid		(875)	(3,450)
Net cash inflow from operating activities		**57,895**	**36,713**
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(44)	(186)
Purchase of intangible assets	19	(1,726)	(1,788)
Purchase of investments[1]		(231,883)	(283,985)
Inflow from sale of investments		253,089	262,761
Inflow from sale of property, plant and equipment	18	23	-
Inflow from common control transaction[2]		-	7,835
Net cash inflow / (outflow) from investing activities		**19,459**	**(15,363)**
Cash flows from financing activities			
Payment of lease liabilities	17	(1,682)	(1,592)
Dividend paid		(78,000)	-
Net cash outflow from financing activities		**(79,682)**	**(1,592)**
Net (decrease) / increase in cash and cash equivalents		**(2,328)**	**19,758**
Cash and cash equivalents at beginning of year		44,007	24,249
Cash and cash equivalents at end of year		**41,679**	**44,007**
Cash is represented by:			
Cash at bank and in hand		41,679	44,007
Cash and cash equivalents at end of year		**41,679**	**44,007**

The notes on pages 13 to 50 are an integral part of these financial statements

1 2020 cash flow from the purchase and sale of investments has been grossed up for comparative purposes in line with the accounting standard requirements.

2 2020 Cash inflow from common control transaction relates to the transfer of OPL assets and liabilities to the Company.

Cigna Life Insurance New Zealand Limited

Statement of Cash Flows (continued)

For the year ended 31 December 2021

Operating activities reconciliation	Note	Group 2021 $000	Group 2020 $000 (Restated)
Profit after tax		(3,975)	61,271
Non-cash items			
Depreciation expense		2,122	3,425
Amortisation expense	28	3,463	3,374
Impairment expense		-	750
Change in accounting policy	28	-	858
Deferred tax liability		5,995	23,060
Net unrealised fair value losses on financial assets at FVTPL[3]		20,378	(2,214)
Remediation provisions		2,218	(7,283)
Finance cost		2,094	2,232
Change in insurance contract assets & liabilities		28,866	(43,337)
Movement in deferrals or accruals of past or future operating cash receipts or payments			
Receivables		6,437	(4,730)
Payables		(1,000)	2,158
Lease liabilities		(271)	(325)
Current tax		(1,261)	(1,757)
Life insurance contract assets, liabilities & reinsurance		-	(9,776)
Provisions		(7,171)	9,007
Net cash inflow from operating activities		**57,895**	**36,713**

The notes on pages 13 to 50 are an integral part of these financial statements

[3] Fair value through profit or loss

1. CORPORATE INFORMATION

Cigna Life Insurance New Zealand Limited (the **Company**) is a for-profit entity incorporated and domiciled in New Zealand. It was incorporated on 13 December 1967.

The Company is a Limited Liability Company. The address of its registered office is Level 24, Majestic Centre, 100 Willis Street, Wellington, New Zealand.

These consolidated financial statements for the Company and its subsidiary (together the **Group**) cover the financial year ended 31 December 2021. The Company is part of a New Zealand group of companies that includes OnePath Life (NZ) Limited (OnePath). Both companies are 100% owned by Cigna New Zealand Holdings Limited.

The Company's principal products and services comprise the selling and administration of health and life insurance and travel insurance contracts. The Company also acts as a reinsurer for certain life insurance and credit card insurance contracts. During 2021 the Company confirmed its exit from providing travel insurance, and has only one remaining contract in place at 31 December 2021.

The Company was granted a licence by the Reserve Bank of New Zealand ("RBNZ") on 12 August 2013 to operate as an insurer subject to the IPSA. As a consequence of being a licensed insurer, the Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation

Statement of Compliance

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

Unless necessary to explain accounting policy choices or to add further information, we have not included accounting policy wording where it is otherwise consistent with the standards.

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

Use of Estimates and Assumptions

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results may differ from these estimates.

Basis of Measurement

These financial statements are prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

Application of New Accounting Standards

The Company did not adopt any new accounting standards in the preparation and presentation of the 31 December 2021 financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Presentation Currency and Rounding
Unless otherwise stated, all amounts are rounded to $000's and are expressed in New Zealand Dollars, which is the presentation and the functional currency of the Group.

B. Critical Accounting Judgements
The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities at year end. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and judgements have been made based upon facts and circumstances that existed as at balance date.

Impact of COVID-19
The COVID-19 pandemic has had significant impacts on the insurance industry and the economy globally since it first appeared in late 2019, and it is expected to continue to have an impact over the medium term. While there is a large degree of uncertainty around the impact the pandemic will continue to have on the Group's future activities, there have been a number of impacts to the Company's business during 2021. A summary of the key impacts and key notes disclosing this impact are included below:

Description	Note Reference
Travel Business: With global travel continuing to be disrupted significantly, the travel business had another turbulent year in 2021. During the year, the Company determined it would exit all travel insurance arrangements and as at 31 December 2021 only retains 1 active contract, with a final termination date in 2023, unless earlier agreement can be reached with the counterparty.	Note 23 – Statutory Fund Note 4 – Premium Revenue
Leases: The Company occupies the same real estate as it did at year end 2021. The Company has continued to defer decision making in respect of exercising any renewal right options that exist in the building leases while an assessment is carried out on the medium term impact of Covid 19 on the property strategy.	Note 17 – Right of Use Assets / Lease Liabilities
Key Actuarial Assumptions: In contrast to 2020, market discount rates increased over 2021 which had effects on both **Insurance Contract Assets and Liabilit**y measurement and on measurement of investment asset values (and future market yields). In addition, the economic environment was and is still changing such that claims experience continues to be volatile compared to long term trends. Key assumptions relating to the direct, and indirect effects of Covid-19 include: • Expected rates of mortality • Expected rates of disability • Applied discount rate	Note 8 – Life Insurance Contract Assets and Liabilities

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of pending sale of the Company

The Company's ultimate shareholder, Cigna Corporation, has entered into an agreement with Chubb Limited to sell its life insurance business in New Zealand.

The critical judgement areas considered in the preparation of the financial statements that could be impacted by a change in ultimate shareholding are:

Description	Note Reference
Tax Losses: The Company had a tax loss balance of $42.9m (tax effect of $12.0m) at 31 December 2021. The continued recognition of tax losses is subject to meeting the ongoing shareholder and business continuity requirements of the Income Tax Act 2007. The Company expects that the majority of any remaining tax loss balance on acquisition by Chubb, will be forfeited. The acquisition date is uncertain and is an area of judgement. The Company has assessed the expected tax loss utilisation to date of acquisition and has only recognised $18.8m (tax effect of $5.3m per Note 10).	Note 10 - Taxation
Leases: The Company occupies the same real estate as it did at year end 2021. The Company has continued to defer decision making in respect of exercising any renewal right options that exist in the building leases while an assessment is carried out on the medium term impact of the Chubb agreement on the property strategy.	Note 17 – Right of Use Assets / Lease Liabilities
Actuarial Assumptions: The Company does not expect there to be any material impact on the key assumptions incorporated in the actuarial valuations of life insurance contract assets or the life insurance contract liabilities as a result of the Chubb agreement.	Note 8 – Life Insurance Contract Assets and Liabilities
Reinsurance: The Company does not expect there to be any material impact on reinsurance as a result of the Chubb agreement.	
Financial Strength Rating: Due to the pending Chubb transaction, AM Best placed the Financial Strength Rating 'under review' with positive implications and will resolve the rating once the transaction completes – expected at this stage to be sometime in Q2.	

C. Accounting for Life Insurance Business

The life insurance operations of the Group comprise the selling and administration of contracts which are classified as life insurance contracts.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if, an insured event could cause an Insurer to pay significant benefits in any scenarios, excluding scenarios that lack commercial substance. Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefit is either not linked or only partly linked to the market value of the investment held by the Group, and the financial risks are substantially borne by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Change in Significant Accounting Policies

During the period a number of new accounting standards became effective 1 January 2021 however they do not have a material effect on the Group's financial statements. The IFRS Interpretations Committee (IFRIC) published two agenda decisions in March 2019 and March 2021 (the latter ratified by the IASB in April 2021) with respect to Software as a Service Cloud Computing Arrangements. The applicable accounting standard that this guidance seeks to provide clarity on is IAS 38 *Intangible Assets*.

The review and application of this interpretation has led to a change in accounting policy that is required to be applied retrospectively and further detail is provided in Note 28.

E. Standards Issued But Not Yet Effective

NZ IFRS 17 Insurance contracts is the comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces NZ IFRS 4 Insurance Contracts. NZ IFRS 17 has an effective date for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted however, the Group has not early adopted the new standard in preparing these consolidated financial statements.

Disclosure and measurement under NZ IFRS 17 will differ significantly from NZ IFRS 4 and although the Group is well progressed on its implementation journey, it 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 Comprehensive Income, the Statement of Financial Position and the notes to the Financial Statements.

The focus of 2021 has been on refining methodology, building technological solutions, streamlining of models and identifying the data flows and other requirements.

In 2022 the focus will be on completing the build phase, which will include reporting disclosures and new processes and controls, and the testing phase of the process involving system and user testing. The Group expects to be completing a parallel run of results during 2022 ahead of transition.

3. SOURCES OF PROFIT

	Group 2021 $000	Group 2020 $000 (Restated)
Planned profit margin (net of tax)	**52,287**	**48,882**
Difference between actual and assumed experience	20,112	11,125
Effects of changes in underlying assumptions	(53,992)	9,592
Investment earnings on assets in excess of insurance contract assets and liabilities	(10,838)	4,689
Other expense items	(11,544)	(13,017)
Net profit/(loss) after tax	**(3,975)**	**61,271**

The $20.1m of experience profits were mainly a result of lower than expected lapse experience partly offset by higher than expected commission expenses.

The $54.0m loss from assumption changes is driven by higher valuation discount rates (as a result of higher short to midterm bond yields) and higher expected expense inflation, partly offset by a higher assumed future rate of benefit escalation. This results in a net increase in policyholder liabilities.

The loss from investment earnings on retained profits does not form part of planned profit margins, so provides a negative variance of $10.8m. This loss is a result of global market changes in interest rates that have negatively impacted the investment portfolio.

Other items contributing to the net expense of $11.5m includes amortisation of VOBA, non-insurance revenue and expenses, forfeited tax losses, organisational restructure costs, remediation expenses (including provisions) arising from the conduct & culture program and other project costs that are one-off in nature.

4. PREMIUM REVENUE

	Group 2021 $000	Group 2020 $000
Life insurance premiums	289,996	260,704
Inwards Life reinsurance premiums	4,519	4,489
Travel insurance premiums	8,114	5,776
Total premiums	**302,629**	**270,969**
Outwards reinsurance premiums	(42,628)	(37,664)
Net premium revenue	**260,001**	**233,305**

Life Insurance Premiums

Premium revenue is earned on life insurance contracts. Premiums with a regular due date are recognised on a due date basis.

Life Reinsurance Premiums

Life reinsurance premiums are recognised when due. Premiums with a regular due date are recognised on a due date basis and any irregular premiums are recognised as per the specific terms of their contracts. The block of business to which this recognition relates is the subject of a recapture notice and it is expected it will be recaptured during 2022.

Travel Insurance Premiums

Premium revenue from travel insurance contracts are recognised over the period the policyholder travels.

4. PREMIUM REVENUE (CONTINUED)

Unearned Premium
The proportion of premiums not recognised in profit or loss at the reporting date is recognised in the Statement of Financial Position as unearned premium liability within the life insurance contracts balance.

5. INVESTMENT REVENUE

	Group 2021 $000	Group 2020 $000
Dividend income	20	24
Interest income	6,138	5,211
Net fair value (loss) / gain on financial assets	(20,656)	2,214
Total investment revenue	**(14,498)**	**7,449**
Total investment revenue by contract type: Life insurance contracts		
Managed investment funds	222	220
Fixed interest securities and cash	(14,720)	7,229
Total investment revenue	**(14,498)**	**7,449**

Dividend Income
Dividend income from financial assets is recognised in profit or loss as part of investment income when the Group's right to receive payment is established.

Interest Income
Interest income is recognised on a time proportion basis using the effective interest method.

Net Fair Value Gains and Losses on Financial Assets
Fair value gains and losses on financial assets at fair value through profit or loss are recognised in profit or loss in the period in which they arise.

6. FEE AND OTHER REVENUE

	Group 2021 $000	Group 2020 $000
Inwards reinsurance commission	2,535	2,070
Other	3,627	3,396
Total fee and other revenue	**6,162**	**5,466**

Inwards Reinsurance Commission
Inwards reinsurance commission is recognised over the period the Group provides reinsurance services; issued policies containing reinsured benefits, net of commission repayable as a result of policy discontinuances.

7. CLAIMS EXPENSE

Claims expense	Group 2021 $000	Group 2020 $000
Life insurance claims	111,956	101,737
Life reinsurance claims	2,201	2,086
Travel insurance claims	541	5,216
Total gross claims through profit or loss	**114,698**	**109,039**
Inwards reinsurance recoveries	(30,820)	(28,732)
Total claims (net)	**83,878**	**80,307**

7. CLAIMS EXPENSE (CONTINUED)

Life Insurance Claims
Claims incurred relate to life insurance contracts and are treated as expenses. Maturity claims are recognised on the policy maturity date. Surrenders are recognised when paid. Death and all other claims are recognised when the liability to the policyholder under the policy contract has been established.

Claims in respect of with-profit business are recognised when the policies concerned cease to participate, in whole or in part, in the earnings of the relevant fund. Provision has been made for the estimated cost of all claims notified but not settled at balance date, with allowances for the probability of declinature and the associated operating costs to administer these claims. Provision has also been made for the estimated cost of claims Incurred But Not Reported ("IBNR") at balance date. IBNR is recognised within Insurance Liabilities.

Travel Insurance Claims
Claims expenses are recognised when claims are notified with the exception of claims incurred but not reported for which a provision is estimated.

Reinsurance Recoveries
Reinsurance recoveries are recognised separately as deductions to expenses in profit or loss over the period of indemnity of the reinsurance contract. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

8. LIFE INSURANCE CONTRACT ASSETS AND LIABILITIES

Reconciliation of movements in life insurance contract assets and liabilities	**Group 2021**	**Group 2020**
Life insurance contract assets net of reinsurance	**$000**	**$000**
Opening balance	683,557	(30,234)
Net life insurance contract assets acquired	-	664,078
Net change in life insurance contracts	(28,866)	49,713
Closing balance	**654,691**	**683,557**

Components of life insurance contracts	**Group 2021**	**Group 2020**
For non-investment linked business	**$000**	**$000**
Value of future premiums	3,892,052	3,664,396
Value of future policy benefits	(1,535,641)	(1,476,027)
Value of future expenses	(455,652)	(411,381)
Value of future profit margins	(1,246,068)	(1,093,431)
Total life insurance contract assets net of reinsurance	**654,691**	**683,557**
Value of policy benefits subject to capital guarantees	**(5,981)**	**(5,919)**
Life insurance contract asset future net inflows		
Less than one year	18,794	13,871
Between one and five years	158,985	154,502
Greater than five years	476,912	515,184
Total	**654,691**	**683,557**

8. LIFE INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

	Group 2021	Group 2020
Life Insurance contract assets	**$000**	**$000**
Opening balance	849,477	-
Life insurance contract assets acquired	-	824,235
Recognised in statement of comprehensive income	(26,429)	25,242
Closing balance	**823,048**	**849,477**
of which		
Current	14,393	11,198
Non-current	808,655	838,279

	Group 2021	Group 2020
Life Insurance contract liabilities - reinsurance	**$000**	**$000**
Opening balance	165,920	9,962
Life insurance contract liabilities -reinsurance acquired	-	160,158
Recognised in statement of comprehensive income	2,437	(4,200)
Closing balance	**168,357**	**165,920**
of which		
Current	(3,584)	(2,586)
Non-current	171,941	168,506

Life insurance contract assets and liabilities are calculated by the actuarial team and reviewed and signed off by the Appointed Actuary on the basis of recognised actuarial methods, with due regard to the relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written.

Actuarial Methods and Assumptions

The Group's actuarial reports for the years ended 31 December 2021 and 2020 were prepared by the Appointed Actuary, Michael Bartram BSc. (Hons), FIAA, FNZSA. The Appointed Actuary is satisfied as to the accuracy, nature and sufficiency of the data and methods upon which the Insurance Contract Assets and Liabilities have been determined.

a) Disclosure of Methods

Life insurance contracts consist of life insurance contract assets and liabilities (including unvested policyholder benefits and reinsurance) and non-life assets and liabilities.

Life Insurance Contract Liabilities

The value of life insurance contract assets and liabilities is calculated using the Margin on Service (**MoS**) methodology in accordance with the New Zealand Society of Actuaries Professional Standard 20 (PS20), Determination of Life Insurance Policy Liabilities, using either the Projection method or the Accumulation Method, depending on the product group.

Non-Life Insurance Contract Liabilities

The value of non-life insurance contract liabilities are calculated in accordance with the New Zealand Society of Actuaries Professional Standard 30 (PS30), Valuations of General Insurance Claims. This applies to the small line of Travel Insurance and other non-life business written by the Company.

8. LIFE INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

Margin on Services – Projection Method

The "projection method", recommended under Appendix C of NZ IFRS 4, uses expected cash flows, (premiums, redemptions or benefit payments, expenses and profits) based on best estimate assumptions, to establish the value of insurance contract assets and liabilities. This includes an allowance for planned profits. Profit margins are released over each reporting period in line with the services that have been provided.

Accumulation Method

Under the accumulation method, for risk policies the insurance contract assets and liabilities are the sum of the unearned premiums, outstanding claims reserves plus an allowance for claims incurred but not yet reported, less any deferred acquisition costs.

The Revolving Credit, Group Lump Sum and Group Disability product groups have been valued using the accumulation method. The results from using the accumulation method rather than the projection method are not expected to be materially different.

b) Disclosure of Assumptions

Actuarial assumptions about future experience are required for calculating insurance contract assets and liabilities. The assumptions used for the accumulation method are the same as those used for the projection method where they are required. For the deferred acquisition cost, the key assumption is the lapse rate, which drives the rate at which the reserve runs off. In addition, the unearned premium reserve used in the accumulation method assumes that premiums are recognised half way through the premium billing period.

The assumptions used were best estimate assumptions approved by the Appointed Actuary for the Company. The key assumptions were:

Profit Carriers

Where the insurance contract assets and liabilities are determined by the projection method, Appendix C of NZ IFRS 4 and actuarial standards require profit to be related to one or more financially measurable indicators of the provision of service (or related income) called "profit carriers". The profit carriers used for the related product groups ("RPG's") in order to achieve the systematic release of planned margins were as follows:

Life Related Product Groups	Method 2021	Method 2020
Traditional With-Profit	Value of bonus	Value of bonus
Traditional Non-Profit – Regular Premium	Expected premium	Expected premium
Individual Lump Sum – Regular & Level Premium	Expected premium	Expected premium
Individual Lump Sum – Single Premium	Expected claims	Expected claims
Funeral Cover	Expected premium	Expected premium
Individual Disability – Regular & Level Premium	Expected premium	Expected premium
Individual Disability – Single Premium	Expected premium	Expected premium
Group Lump Sum	Accumulation	Expected premium
Group Disability	Accumulation	Expected Premium

The profit carriers have remained unchanged from 2020 with the exception of Group Lump Sum and Group Disability of which are now valued under the accumulation method. Changes to profit carriers have no impact on the profit or loss. The effect is the change in the pattern of the release of future profits.

8. LIFE INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

Risk Discount Rates

The discount rate (after tax) used to determine life insurance contracts for Traditional With-Profit business was 1.74% (2020: 1.44%). The discount rates used to determine life insurance contracts for all other business were determined from the inter-bank swap rate curve and NZ government bond yields. This curve is then extended for longer durations with New Zealand long-term risk free rates from the European Insurance and Occupational Pensions Authority. The discount rate (before tax) varied by duration between 1.4% and 3.6% on this basis (2020: 0.2% to 3.8%).

Expense Inflation & Benefit Indexation Rates

Allowance for future expense inflation of 4.5% p.a. over the shorter term reducing to a long term assumption of 2.9% p.a. over a five year period is assumed (2020: 2.0% to 2.7% p.a.). It is assumed that expense inflation will be higher than CPI.

Some life insurance contracts have indexation benefits that provide a level of protection against inflation. Where increases are not fixed, they are assumed to increase cover levels at a rate of 3.5% p.a. reducing over a short term period of 2 years to 2% p.a. in the long term (2020: 1.0% to 1.8% p.a.). The assumption reflects best estimate assumptions about future inflation.

Expenses

PS20 states that maintenance expense assumptions must be sufficient in total across all business assumed to be in force in the year following the valuation date to cover expenses estimated to be required in that year to fully support the administration of that business as a going concern. Expenses considered to be “one-off” may be excluded.

Future maintenance expenses have been assumed at current levels, increased by the rate of expense inflation set out above of 4.5% to 2.9% p.a. (2020: 2.0% to 2.7% p.a.). Projected expenses for 2022 are consistent with the latest business plan.

Future investment expenses have been assumed to be at the same percentage of assets under management as applies at the balance date. The rates for the last two years are shown in the table below:

	Investment Management Fee Assumptions	
Asset Class	**2021**	**2020**
Cash	0.00%	0.00%
Fixed Interest	0.06%	0.06%
NZ Managed Equities	1.05%	1.05%
Overseas Managed Equities	N/A	1.02%

The company no longer has any overseas managed equities.

Acquisition costs are based on actual experience incurred in the year for new business and do not include any costs of general growth and developments.

Tax Rates and Basis

A gross of tax approach has been used to determine insurance contract assets and liabilities with the exception of Traditional With-Profit business which continues to use a discount rate that is net of tax and investment management fees. The rates of taxation exacted at the date of valuation are assumed to continue into the future.

8. LIFE INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

Mortality and Morbidity

Term Life Excluding Funeral Cover and Other Individual

The projected rates of claims reflect current experience and are based on the New Zealand standard mortality tables released by Gen Re and the NZ Society of Actuaries (NZ 07 and NZSA 08-10). The proportion of each table adopted ranges from 55% to 345% and are based on recent actuarial investigations carried out by the actuarial personnel of the Group.

Future morbidity (Total Permanent Disability and Trauma) experience incidence rates are based on reinsurers' tables and internal investigations.

Future morbidity incidence and termination rates (Replacement Income) have been based on IAD89-93 tables, entity and industry experience.

Funeral Cover and Other Individual

The projected rates of claims reflect current experience and are based on actual experience where possible and referenced against New Zealand standard mortality tables NZSA 08-10, NZ95, NZ97 (insured lives) and NZLT 12-14 (population lives).

Rates of Discontinuance

Future rates of discontinuance from lapses, cancellations or surrenders assumed for the major classes of individual business are primarily based on investigations of the Group's own experience. Rates vary by product, duration in force and age of insured, taking into account market conditions and internal strategies. The valuation assumptions by duration were last reviewed for 31 December 2021 and are summarised in aggregate below with the comparative ranges for 2020.

	Rate of Discontinuance	
Related Product Group	**2021**	**2020**
Traditional With-Profit	2.0% to 3.0%	2.0% to 6.0%
Traditional Non-Profit	3.0% to 14.5%	6.0% to 11.5%
Individual Lump Sum – Regular & Level Premium	2.0% to 32.0%	3.0% to 32.0%
Individual Lump Sum – Single Premium	0.1%	0.1%
Funeral Cover	1.0% to 20.0%	1.0% to 20.0%
Individual Disability – Regular & Level Premium	5.5% to 44.0%	5.5% to 38.5%
Individual Disability – Single Premium	1.0% to 46.0%	1.0% to 43.0%
Revolving Credit	7.0% to 30.0%	7.0% to 30.0%
Group Lump Sum	N/A	6.7%
Group Disability	N/A	6.7%
Travel Insurance	N/A	N/A
Other Non-Life	N/A	N/A

Rates of discontinuance are no longer required for Group Lump Sum and Group Disability related product groups due to a change in methodology.

Surrender Value

Future policy surrender values for life insurance contracts are only applicable for Traditional products and are projected using the sums assured, mortality assumptions based on the UK Life Table A49-52 Ult (permanent assurances 1949 to 1952 ultimate) and an interest rate of 5% (2020: 5%). The numbers of surrenders are projected using best estimate lapse assumptions as shown above.

Future Participating Benefits

Assumed future supportable reversionary bonus rate for the major classes of Traditional With-Profit individual participating business was calculated to be 1.7% p.a. (2020: 2.5% p.a.). This rate is in addition to contractual returns on participating policies.

8. LIFE INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

For discretionary participating business, it is policy to set bonus rates such that over long periods the returns to policyholders are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from business. Distributions are split between policyholders and shareholders with the valuation allowing for shareholders to share in distributions. In applying the policyholders' share of distributions to provide bonuses, consideration is given to equity between generations of policyholders and equity between the various classes and sizes of policies in force, in particular minimum guarantees for business transferred.

Assumed future bonus rates included in the insurance contract assets and liabilities were set such that the present value of policyholder benefits including future assumed bonus is equal to the value of the assets supporting the business together with assumed future investment returns, allowing for the shareholders' right to participate in distributions.

The declared bonuses for participating policies are also determined based on underlying returns on assets and notional asset allocation.

c) COVID 19

There has been a temporary increase in claim assumptions for mortality, replacement income, redundancy and total permanent disability benefits for up to three years.

d) Changes in Actuarial Assumptions

Effects of Changes in Actuarial Assumptions from 2020 to 2021

Assumption Category	Effect on Future Profit Margins $000	Effect on Insurance Contract Assets net of Insurance Contract Liabilities* $000
Mortality and Morbidity rates	(46,097)	-
Lapse (cancellation) rates	189,092	-
Economic assumptions – discount rates	(143,699)	(80,535)
Economic assumptions – inflation	22,071	(1,228)
Expense level	(7,103)	-
Methodology changes	140,807	-
Total	**155,071**	**(81,763)**

** Note that the effect on insurance contract assets net of insurance contract liabilities excludes the impact from the change in the supportable bonus rate that would offset the impact from the assumption changes for Traditional With-Profit business.*

The decrease in insurance contract assets net of insurance contract liabilities is mostly driven by higher risk discount rates as a result of an increase in NZ government bond yields over 2021. The increase in future profit margins from methodology changes is mostly due to pricing increases implemented over 2021.

e) Sensitivity Analysis

The Group conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables such as the valuation interest rate, mortality, morbidity and inflation. The valuations included in the reported results are calculated using certain assumptions about these variables. The movement in any key variable will impact the performance and net assets of the Group's business and as such represent a risk.

Variable	Impact of movement in underlying variable
Expense Risk	An increase in the level or inflationary growth of renewal or maintenance expenses over assumed levels will decrease profit and shareholder equity.

8. LIFE INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

Variable	Impact of movement in underlying variable
Market Risk (Interest & Discount Rate)	Depending on the profile of the investment portfolio, the investment income will decrease as interest rates decrease. This may be offset to an extent by changes in the market value of fixed interest investments. The impact on profit and shareholder equity depends on the relative movement in assets and liabilities, to the extent that these are not matched. Sensitivity testing performed measures the impact on life insurance contract assets and liabilities only. For assets which are not contractually linked to insurance contract assets and liabilities, the business is exposed to market risk through changes in interest rates and discount rates.
Mortality & Morbidity Risk	For insurance contracts providing death benefits, greater mortality rates would lead to higher levels of claims occurring sooner than anticipated, increasing associated claims cost and therefore reducing profit and shareholder equity. For insurance contracts providing disability benefits, a greater morbidity rate would lead to higher levels of claims occurring sooner than anticipated, increasing associated claims cost and therefore reducing profit and shareholder equity.
Lapse Risk (Cancellation)	The impact of the lapse rate assumption depends on a range of factors including the type of contract, the surrender value basis (where applicable) and the duration in force. For example, an increase in discontinuance rates at earlier duration of life insurance contracts usually has a negative effect on performance and net assets. However, due to the interplay between the factors, there is not always an adverse outcome from an increase in lapse rates.

For life insurance contracts, which are accounted for under MoS, amounts of liabilities, income or expenses recognised in the period are unlikely to be sensitive to changes in variables even if those changes may have an impact on future profit margins. The table below illustrates how changes in key variables as at 31 December 2021 would have impacted the reported profit and equity of the business.

Change in Variable	Movement	Increase in Insurance Contract Assets net of Insurance Contract Liabilities $000	Increase in Profit Before Tax $000
Expenses Per Policy (Maintenance)	Increase by 10%	-	-
	Decrease by 10%	-	-
Interest Rate	Increase by 1%	(75,993)	(75,993)
	Decrease by 1%	94,590	94,590
Mortality/Morbidity	Increase by 10%	-	-
	Decrease by 10%	-	-
Lapse Rates (Cancellation)	Increase by 10%	(804)	(804)
	Decrease by 10%	861	861

8. LIFE INSURANCE CONTRACT ASSETS AND LIABILITIES (CONTINUED)

The impacts shown above are not necessarily linear. Note that the calculated impact of the interest rate change focuses solely on the insurance contract assets and liabilities and does not capture any potential change in the value of the investment assets. In the normal course of events a change would occur in the market value of assets and thus to the shareholder profit. We have assumed there is no change to the supportable bonus rate for Traditional With-Profit business in the sensitivity results shown.

Refer to note 25 for interest rate sensitivity impact.

f) Liability Adequacy Test

At each balance date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities, are used.

Insurance contract assets and liabilities are grouped into related product groups and each group is tested against the best estimate of future cash flows. If the insurance contract liability of the related product group is less than the best estimate, the insurance contract liability is increased with the expense being booked directly through profit or loss. The test was passed for all RPGs with the exception of the Individual Lump Sum – Single Premium and Individual Disability – Single Premium related product groups. The loss recognised for these related product groups is $40,496.

9. OPERATING EXPENSES

	Group 2021 $000	Group 2020 $000 (Restated)
Acquisition costs		
Commissions	23,437	13,797
Operating expenses	52,571	37,829
Total acquisition costs	**76,008**	**51,626**
Maintenance costs		
Commissions	18,276	16,184
Operating expenses	42,580	60,946
Total maintenance costs	**60,856**	**77,130**
Other costs		
Investment management costs	203	213
Finance cost	220	245
Other administrative costs	-	196
Total other costs	**423**	**654**
Total other expenses	**137,287**	**129,410**

Operating expenses are incurred for the operation of the business in relation to the acquisition and maintenance of life insurance contracts. This is 57% (2020: 40%) for acquisition and 43% (2020: 60%) for maintenance and non-life insurance costs. Allocation is based on expense surveys of staff time and costs that are directly attributable to the acquisition of new policies.

Acquisition costs are the costs of acquiring new business, including commissions, distribution costs and costs of accepting, issuing and initially recording policies. Maintenance costs are the costs of administering policies subsequent to sale, and maintaining the Group's operations such that they are sufficient to service in-force policies.

9. OPERATING EXPENSES (CONTINUED)

Other costs relate to administrative costs in relation to the Group's subsidiary which is now dormant. These costs do not relate to the acquisition or maintenance of life insurance contracts.

Any deferred acquisition costs are expected to be recovered through renewal premiums based on the expected future lifetime of the underlying products.

Analysis of Expense by Nature	Note	Group 2021 $000	Group 2020 $000 (Restated)
Amortisation expense		3,463	3,251
Depreciation expense		2,122	3,423
Depreciation expense right-of-use asset		1,823	1,909
Directors' fees		338	266
Employee benefit expense		48,961	48,864
Fees paid to auditors PwC New Zealand			
- Audit fees		552	473
- Half year financial statement review		-	55
- Solvency Return		31	44
Foreign exchange loss		41	61
Legal expenses		685	495
Rental expense / (income)		483	(71)
Superannuation contributions		2,684	2,711
Termination expenses		1,012	3,835
Other operating expenses		75,092	67,011
Recharge of OnePath expenses		-	(2,917)
Total expenses		**137,287**	**129,410**

The Company incurs a number of expenses for the New Zealand Group of companies (Cigna Life Insurance New Zealand Limited, OnePath Life (NZ) Limited and Cigna New Zealand Holdings Limited). These expenses are allocated and recharged as appropriate on a monthly basis.

Where such costs have been incurred, they are reported gross in the above note. However, in the Statement of Comprehensive Income and the Statement of Cash Flows the recoveries are shown against the underlying costs. The recovery billed to related parties at 31 December 2021 was nil (2020: $2,917k).

10. TAXATION

Reconciliation of the prima facie income tax payable on profit	Group 2021 $000	Group 2020 $000 (Restated)
Profit before income tax	**1,634**	**86,216**
Prima facie income tax at 28%	458	24,140
Effect of pre-2010 life tax regime	(1,258)	(1,202)
Other tax permanent difference	1,847	2,099
Non-deductible policyholder income and expenses	(1,806)	(1,325)
De-recognition of tax losses	6,756	-
Income tax (over) / under provided in prior years	(388)	1,233
Total income tax (benefit) / expense	**5,609**	**24,945**
Total income tax expense comprises:		
Current tax	(386)	1,887
Deferred tax	5,995	23,058
Total income tax (benefit) / expense	**5,609**	**24,945**

31 December 2021	Opening Balance $000	Acquisition of OPL $000	Change in accounting policy $000	Movement charged to P&L $000	Closing Balance $000
Deferred tax assets					
Available tax losses	19,941	-	-	(14,674)	**5,267**
Other provisions and accruals	8,589	-	-	(1,997)	**6,592**
Total deferred tax assets	**28,530**	**-**	**-**	**(16,671)**	**11,859**
Deferred tax liabilities					
Life insurance contracts	(230,587)	-	-	9,738	**(220,849)**
Value of Business Acquired (VOBA)	(6,372)	-	-	932	**(5,440)**
ANZ Contribution to intangible assets	(277)	-	-	6	**(271)**
Total deferred tax liabilities	**(237,236)**	**-**	**-**	**10,676**	**(226,560)**

31 December 2020 (Restated)	Opening Balance $000	Acquisition of OPL $000	Change in accounting policy $000	Movement charged to P&L $000	Closing Balance $000
Deferred tax assets					
Available tax losses	34,650	-	-	(14,709)	**19,941**
Other provisions and accruals	6,366	1,311	-	912	**8,589**
Total deferred tax assets	**41,016**	**1,311**	**-**	**(13,797)**	**28,530**
Deferred tax liabilities					
Life insurance contracts	(10,287)	(209,946)	-	(10,354)	**(230,587)**
Value of Business Acquired (VOBA)	-	(7,273)	-	901	**(6,372)**
ANZ Contribution to intangible assets	-	(1,254)	785	192	**(277)**
Total deferred tax liabilities	**(10,287)**	**(218,473)**	**785**	**(9,261)**	**(237,236)**

Due to a change in accounting policy, the prior year has been restated and further information in relation to this change and the resulting impact can be found in Note 28.

10. TAXATION (CONTINUED)

Accumulated tax losses are recognised in the Statement of Financial Position to the extent that they are expected to be used in the foreseeable future. The realisation of the tax benefit of the balance of these losses is dependent on the Group meeting the requirements of the Income Tax Act 2007. The Company expects that the majority of any remaining tax loss balance on acquisition by Chubb, will be forfeited. The Company had a tax loss balance of $42.9m (tax effect of $12.0m) at 31 December 2021 with a balance of $24.1m not currently recognised on the balance sheet.

Current Tax
Current tax is calculated in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by balance date. Current tax is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax
Deferred tax assets are recognised to the extent that it is probable that profits will be available against which deductible temporary differences or unused tax losses can be utilised.

11. SHARE CAPITAL

Share capital	Group 2021 $000	Group 2020 $000
Opening balance	716,749	500
Shares issued	-	716,249
Closing balance	**716,749**	**716,749**

The Company's share capital comprises 716.7m (2020: 716.7m) fully paid ordinary shares that have rights and powers prescribed by section 36 of the Companies Act 1993. All shares are ranked equally with one vote attached to each fully paid up ordinary share. There is no par value attached to the shares.

Dividends paid during the period amounted to $0.11 (2020: Nil) per share.

12. CASH AND CASH EQUIVALENTS
Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity on initial recognition of three months or less, which are subject to an insignificant risk of changes in value.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021			2020		
	Level 1 $000	**Level 2 $000**	**Level 3 $000**	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**
NZ Government Bonds	-	109,752	-	-	143,353	-
NZ Corporate Bonds	-	105,316	-	-	115,113	-
European Corporate Bonds	-	10,704	-	-	300	-
Australian Corporate Bonds	-	-	-	-	3,346	-
NZ Managed Funds	-	936	-	-	1,017	-
European Managed Funds	-	-	-	-	9,103	-
Japanese Corporate Bonds	-	3,940	-	-	-	-
Total Financial Assets at Fair Value	**-**	**230,648**	**-**	**-**	**272,232**	**-**

Financial assets at fair value through profit or loss primarily relates to government and corporate bonds. The financial assets are designated at inception as at fair value through profit or loss and any subsequent changes in fair value is recognised in the profit or loss.

Fair Value Hierarchy

The table above analyses financial instruments carried at fair value, by valuation method. The different levels have been defined and measured as follows:

Level 1 – The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 2 financial instruments in the fair value hierarchy are recorded based on broker quotes and unit prices as supplied by Interactive Data Corporation (2020: the same).

Level 3 – If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Refer to Note 24 for considerations on interest rate risk.

14. FINANCIAL INSTRUMENTS

As at 31 December 2021	Amortised cost $000	Designated at FV through P&L $000	Financial liabilities at amortised cost $000	Group Total $000
Cash and cash equivalents	41,679	-	-	41,679
Financial assets held at fair value through profit or loss	-	230,648	-	230,648
Insurance receivables	11,497	-	-	11,497
Other receivables (excl. prepayments)	2,249	-	-	2,249
Accounts payable	-	-	(13,530)	(13,530)
Employee entitlements (excl. AL & LSL[4])	-	-	(6,805)	(6,805)
Other liabilities	-	-	(417)	(417)
Lease liabilities	-	-	(6,062)	(6,062)
Total	**55,425**	**230,648**	**(26,814)**	**259,259**

As at 31 December 2020	Amortised cost $000	Designated at FV through P&L $000	Financial liabilities at amortised cost $000	Group Total $000
Cash and cash equivalents	44,007	-	-	44,007
Financial assets held at fair value through profit or loss	-	272,232	-	272,232
Insurance receivables	12,893	-	-	12,893
Other receivables (excl. prepayments)	3,338	-	-	3,338
Accounts payable	-	-	(14,575)	(14,575)
Employee entitlements (excl. AL & LSL)	-	-	(6,848)	(6,848)
Other liabilities	-	-	(249)	(249)
Lease liabilities	-	-	(7,476)	(7,476)
Total	**60,238**	**272,232**	**(29,148)**	**303,322**

The Group has determined that financial assets are all assets held backing life insurance contracts. Such assets have been divided into two different categories; amortised cost and fair value through profit or loss. All financial liabilities are measured at amortised cost except for investment contract liabilities which are measured at fair value.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

[4] Annual leave & long service leave

15. INSURANCE RECEIVABLE

	Group 2021 $000	Group 2020 $000
Outstanding premiums	3,465	4,158
Related party reinsurance recoveries due	465	378
Reinsurance recoveries due	7,746	8,614
Provision for doubtful debts	(179)	(257)
Total insurance receivables (current)	**11,497**	**12,893**

Insurance receivables relate to amounts due to the Group in the ordinary course of business. The carrying value of insurance receivables approximates their fair value as they are settled within a short period.

Insurance Receivables Past Due But Not Impaired
The Group considers that insurance receivables are past due if payment has not been received when contractually due. At the reporting date the total of the carrying values of past due but not impaired assets held by the Group is $11,497k (2020: $12,893k). The aging of these amounts is shown below.

Days outstanding and exposure to credit risk	Group 2021 $000	Group 2020 $000
Current – not past due	9,177	10,428
1-30 days past due	1,054	1,118
31-60 days past due	130	593
61-90 days past due	302	96
90+ days past due	834	658
Total	**11,497**	**12,893**

In addition to the above past due balances, the Group has fully impaired assets of $52k (2020: $281k).

Premium amounts that are due and do not have surrender values to offset the premium are lapsed after three months of non-payment. Lapsed outstanding premiums are written off to profit or loss, as a debit against premium revenue.

16. OTHER RECEIVABLES

	Note	Group 2021 $000	Group 2020 (Restated) $000
Sundry debtors		637	1,499
Accrued interest income		1,335	1,564
Prepayments	28	6,285	10,237
Related party loans and receivables	27	67	84
Policy loans		210	191
Total other receivables		**8,534**	**13,575**

Due to a change in accounting policy, the prior year has been restated and further information in relation to this change and the resulting impact can be found in Note 28.

Other receivables are short term in nature and are expected to be collected within 12 months.

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16. OTHER RECEIVABLES (CONTINUED)

Other Receivables Past Due But Not Impaired
The Group considers that other receivables are past due if payment has not been received when contractually due. At the reporting date the total of the carrying values of past due but not impaired assets held by the Group is $49k (2020: $924k).

17. RIGHT OF USE ASSETS / LEASE LIABILITIES

31 December 2021	Buildings $000	Right of Use Assets Motor Vehicles $000	Photo-copiers $000	Total $000	Lease Liabilities Group Total $000
Opening Balance	6,415	489	2	**6,906**	7,476
Additions	-	160	38	**198**	198
Termination	-	70	-	**70**	70
Depreciation expense	(1,522)	(282)	(19)	**(1,823)**	-
Interest expense	-	-	-	**-**	271
Payments	-	-	-	**-**	(1,953)
Closing Balance	**4,893**	**437**	**21**	**5,351**	**6,062**

31 December 2020	Buildings $000	Right of Use Assets Motor Vehicles $000	Photo-copiers $000	Total $000	Lease Liabilities Group Total $000
Opening Balance	5,995	746	37	**6,778**	7,033
Additions	-	113	-	**113**	112
Termination	-	(38)	-	**(38)**	(39)
Depreciation expense	(1,542)	(332)	(35)	**(1,909)**	-
Interest expense	-	-	-	**-**	325
Payments	-	-	-	**-**	(1,917)
Lease re-measurement	1,962	-	-	**1,962**	1,962
Closing Balance	**6,415**	**489**	**2**	**6,906**	**7,476**

Right of Use Assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

17. RIGHT OF USE ASSETS / LEASE LIABILITIES (CONTINUED)

Lease liabilities	Group 2021 $000	Group 2020 $000
Current	1,878	1,662
Non-current	4,184	5,814
Total	**6,062**	**7,476**

Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of carparks and motor vehicles (i.e. those leases that have a lease term of 12 months or less and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to operating costs for building leases. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Group recognised rent expense from short-term leases of nil (2020: nil) and leases of low-value assets of $465k (2020: $207k) for the financial year.

Significant Judgement in Determining the Lease Term of Contracts with Renewal Options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to six years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassess the lease term if there is a significant event or change in circumstance that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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18. PROPERTY, PLANT AND EQUIPMENT

31 December 2021	Leasehold Assets $000	Office Equipment $000	Furniture & Fittings $000	Computer Equipment $000	Total $000
Opening Balance	1,444	30	930	1,966	**4,370**
Additions	-	2	-	42	**44**
Disposals	-	-	(9)	(14)	**(23)**
Depreciation charge	(242)	(19)	(105)	(1,756)	**(2,122)**
Closing Balance	**1,202**	**13**	**816**	238	**2,269**

	$000	$000	$000	$000	$000
Cost	2,505	275	1,318	9,742	**13,840**
Accumulated depreciation & impairment	(1,303)	(262)	(502)	(9,504)	**(11,571)**
Net Book Value	**1,202**	**13**	**816**	**238**	**2,269**

31 December 2020	Leasehold Assets $000	Office Equipment $000	Furniture & Fittings $000	Computer Equipment $000	Total $000
Opening Balance	723	19	196	419	**1,357**
Additions	79	-	2	118	**199**
OPL transferred assets at net book value	877	44	845	4,485	**6,251**
Disposals	-	(1)	(10)	(1)	**(12)**
Depreciation charge	(235)	(32)	(103)	(3,055)	**(3,425)**
Closing Balance	**1,444**	**30**	**930**	**1,966**	**4,370**

	$000	$000	$000	$000	$000
Cost	2,505	275	1,333	9,944	**14,057**
Accumulated depreciation & impairment	(1,061)	(245)	(403)	(7,978)	**(9,687)**
Net Book Value	**1,444**	**30**	**930**	**1,966**	**4,370**

Depreciation is calculated using the straight-line method to allocate asset cost or revalued amounts, net of residual value over the estimated useful lives.

PP&E Category	Useful Life 2021	Useful Life 2020
Leasehold Assets	3 -15 years	3 – 15 years
Office Equipment	2 – 8 years	2 – 8 years
Furniture & Fittings	9 – 16 years	9 – 16 years
Computer Equipment	1-5 years	1-5 years

19. INTANGIBLE ASSETS

31 December 2021	Goodwill	Computer Software	VOBA	Total
	$000	$000	$000	$000
Opening Balance	70,500	2,374	22,757	95,631
Additions	-	1,726	-	1,726
Amortisation expense	-	(136)	(3,327)	(3,463)
Closing Balance	**70,500**	**3,964**	**19,430**	**93,894**

	Goodwill	Computer Software	VOBA	Total
	$000	$000	$000	$000
Cost	70,500	12,494	93,000	175,994
Accumulated amortisation & impairment	-	(8,530)	(73,570)	(82,100)
Net Book Value	**70,500**	**3,964**	**19,430**	**93,894**

31 December 2020 (Restated)	Note	Goodwill	Computer Software	VOBA	Total
		$000	$000	$000	$000
Opening Balance		750	748	-	1,498
Additions		-	1,788	-	1,788
OPL transferred assets at net book value		70,500	6,879	25,969	103,348
Change in accounting policy	28		(5,528)		(5,528)
Impairment expense		(750)	-	-	(750)
Amortisation expense		-	(1,513)	(3,212)	(4,725)
Closing Balance		**70,500**	**2,374**	**22,757**	**95,631**

	Goodwill	Computer Software	VOBA	Total
	$000	$000	$000	$000
Cost	75,726	10,768	93,000	179,494
Accumulated amortisation & impairment	(5,226)	(8,394)	(70,243)	(83,863)
Net Book Value	**70,500**	**2,374**	**22,757**	**95,631**

Amortisation expenses are included in 'Other Expenses' of the Statement of Comprehensive Income

Due to a change in accounting policy, the prior year has been restated and further information in relation to this change and the resulting impact can be found in Note 28.

Amortisation Methods and Useful Lives
Intangible assets with a limited useful life are amortised using the methods and rates as set out below:

Intangible Category	Amortisation Method	Useful Life 2021	Useful Life 2020
Value of Business Acquired (VOBA)	Expected consumption	20 years	20 years
Computer Software	Straight-line	2-5 years	2–5 years

Goodwill
The carrying value of goodwill is subject to an annual impairment test to ensure that the current carrying value does not exceed its recoverable value at the statement of financial position date. Any excess of carrying value over recoverable amount is taken to the Statement of Comprehensive Income as an impairment.

Goodwill is allocated to cash-generating units (CGUs), which are the lowest level of assets for which separately identifiable cash flows can be attributed. Impairment testing of purchased goodwill is performed by comparing the recoverable value of the cash generating unit with the current carrying amount of its net assets, including goodwill. At year end the Group has one CGU in relation to the acquisition of OnePath Insurance Services (NZ) Limited in 2009.

19. INTANGIBLE ASSETS (CONTINUED)

The recoverable amount is based on value in use calculations. The appraisal value methodology employed in assessing excess market value over net tangible assets of the cash generating unit is deemed to be an appropriate proxy for determining value in use. These calculations use discounted expected future cash flow projections based on the in-force book of business sold post acquisition (representing Value in Force). Cash flow projections cover a maximum period of 70 years, so that they are consistent with the actuarial model and assumptions used for the life insurance contract assets. Changes in the actuarial methods and assumptions impacting the value in use calculation and the associated sensitivities are disclosed in Note 8.

These cash flow projections are discounted at an annual rate of 10.5% (2020: 10.5%), being Cigna's Weighted Average Cost of Capital of 9.7%, plus country risk premium represented by the excess of country government bond yield over US government bond yield. The discount rate is not updated for small variations.

The sensitivity of the recoverable amount to change in assumptions has been tested by increasing the discount rate by 5% (2020: 5%). This change would not cause the recoverable amount to be less than the carrying value.

Value of Business Acquired (VOBA)
VOBA is the difference between the fair value and the carrying amount of the insurance liabilities recognised when a portfolio of insurance contracts is acquired (directly from another insurance company or as part of a business combination). VOBA arose relating to the value attributed to the in-force life insurance contracts which were acquired by OPL when it acquired OnePath Insurance Services (NZ) Ltd back in 2009.

Annual impairment testing is performed on the VOBA, however unlike goodwill, VOBA is amortised over a specified period.

The recoverable amount is based on appraisal value basis calculations. These calculations use discounted expected future cash flow projections based on the book of business that was in-force at acquisition (representing Value in Force). Cash flow projections are based on best estimate assumptions as used for the policyholder liability valuation.

These cash flow projections are discounted at an annual rate of 10.5% (2020: 10.5%), being the Cigna's Weighted Average Cost of Capital of 9.7%, plus country risk premium represented by the excess of country government bond yield over US government bond yield. The discount rate is not updated for small variations.

The sensitivity of the recoverable amount to changes in assumptions has been tested by increasing the discount rate by 5% (2020: 5%). This change would not cause the recoverable amount to be less than the carrying value.

20. ACCOUNTS PAYABLE

	Note	Group 2021 $000	Group 2020 $000
Sundry creditors and accruals		5,191	5,174
Reinsurance premiums payable to related parties	27	378	398
Other reinsurance premiums payable		5,028	3,981
Amounts due to related parties	27	397	564
Deposits held for policies not issued		90	(121)
Commission payable to agents		2,446	4,579
Total accounts payable		**13,530**	**14,575**

Payables have an expected settlement date of less than 12 months.

21. EMPLOYEE ENTITLEMENTS

	Group 2021 $000	Group 2020 $000
Annual leave	3,299	3,136
Long service leave	1,879	2,122
Accrued Bonus	5,260	6,661
Other	1,545	187
Total employee entitlement	**11,983**	**12,106**

22. PROVISIONS

	Group 2021 $000	Group 2020 $000
Opening balance	9,315	7,591
Provisions raised	2,850	7,283
Provision released	(633)	-
Provision utilised	(7,170)	(5,559)
Total provisions	**4,362**	**9,315**

As part of the Group's ongoing commitment to good customer outcomes the Group regularly undertakes product and process reviews. Occasionally as a result of these reviews customer impacts are identified which the Group looks to remediate.

The provision for the remediation projects are recorded when it is probable that an outflow of resources will be required to settle any obligations. The recognised provision is the Group's best estimates to settle the obligation as at the reporting date and it is expected the provision balance will be utilised within the next 12 months. The provision includes estimates for expected customer refunds, remediation project costs and regulatory penalties.

The Group has made judgements about the key underlying assumptions contributing to the provision estimate. These judgements are inherently subjective, and the actual outcome may be materially different to the management estimate assumed.

23. STATUTORY FUND

As required by the IPSA, the Group has established a statutory fund in respect of its life insurance business – Cigna Statutory Fund Number 1 ("The Fund").

The purpose of a statutory fund is to ensure that the funds received and paid out in respect of life insurance policies are separately identifiable as being part of the statutory fund. The assets of the Fund are only available for the life insurance business. In addition the assets of the Fund enjoy certain protections under the IPSA which are designed to ensure that the interests of holders of the life insurance policies are given certain priority over the interests of other parties, such as unsecured creditors.

As at 31 December 2021 there are no other restrictions on the use of assets invested for policyholder benefits, nor any restrictions on legal titles to assets.

The Statement of Financial Position and Statement of Comprehensive Income as split by fund, are broken down as follows:

	2021			**2020 (Restated)**		
	Statutory fund $000	**Shareholder Fund $000**	**Total $000**	**Statutory fund $000**	**Shareholder Fund $000**	**Total $000**
Summary Statement of Comprehensive Income						
Net premium revenue	252,102	7,899	260,001	227,428	5,877	**233,305**
Fee and other revenue	4,000	2,162	6,162	3,875	1,591	**5,466**
Investment Revenue	(14,597)	99	(14,498)	7,318	131	**7,449**
All other net expense	(242,589)	(7,442)	(250,031)	(153,503)	(6,501)	**(160,004)**
Profit before income tax	**(1,084)**	**2,718**	**1,634**	**85,118**	**1,098**	**86,216**
Tax (expense) / benefit	9,644	(15,253)	(5,609)	(11,250)	(13,695)	(24,945)
Profit / (loss) after income tax	**8,560**	**(12,535)**	**(3,975)**	**73,868**	**(12,597)**	**61,271**

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23. STATUTORY FUND (CONTINUED)

	2021			2020 (Restated)		
Summary Statement of Financial Position	**Statutory fund $000**	**Shareholder Fund $000**	**Total $000**	**Statutory fund $000**	**Shareholder Fund $000**	**Total $000**
Assets						
Cash and cash equivalents	32,297	9,382	**41,679**	35,101	8,906	**44,007**
Financial assets at FV through P&L	215,396	15,252	**230,648**	256,700	15,532	**272,232**
Insurance receivables	11,489	8	**11,497**	12,548	345	**12,893**
Other receivables	4,021	4,513	**8,534**	5,024	8,551	**13,575**
Right-of-use assets	-	5,351	**5,351**	-	6,906	**6,906**
Life insurance contract assets	823,174	(126)	**823,048**	849,905	(428)	**849,477**
Property, plant and equipment	1,662	607	**2,269**	3,394	976	**4,370**
Intangible assets	89,930	3,964	**93,894**	93,274	2,357	**95,631**
Current tax asset	621	(350)	**271**	-	-	**-**
Deferred tax asset	-	-	**-**	-	25,196	**25,196**
Total assets	**1,178,590**	**38,601**	**1,217,191**	**1,255,946**	**68,341**	**1,324,287**
Liabilities						
Accounts payable	8,014	5,516	**13,530**	(6,497)	(8,078)	**(14,575)**
Employee entitlements	-	11,983	**11,983**	-	(12,106)	**(12,106)**
Other liabilities	505	(88)	**417**	(548)	299	**(249)**
Lease liabilities	-	6,062	**6,062**	-	(7,476)	**(7,476)**
Provisions	4,362	-	**4,362**	(9,290)	(25)	**(9,315)**
Life insurance liabilities incl. reinsurance	168,357	-	**168,357**	(165,920)	-	**(165,920)**
Current tax liability	-	-	**-**	(640)	(350)	**(990)**
Deferred tax liability	224,643	(9,942)	**214,701**	(233,902)	-	**(233,902)**
Total liabilities	**405,881**	**13,531**	**419,412**	**(416,797)**	**(27,736)**	**(444,533)**
Equity						
Share capital & retained earnings	(772,709)	(25,070)	**(797,779)**	(839,149)	(40,605)	(879,754)
Total equity	**(772,709)**	(25,070)	**(797,779)**	**(839,149)**	**(40,605)**	**(879,754)**
Other items						
Dividends paid	75,000	3,000	78,000	-	-	**-**
Transfers	-	-	-	(5,000)	5,000	**-**

24. SOLVENCY MARGIN

The Group maintains a separate solvency margin for each of its Statutory and Shareholder funds, which is calculated as the difference between actual solvency capital and the minimum solvency capital, as shown below. The methodology and bases for determining the solvency margin are in accordance with the Solvency Standards for Life Insurance Business and Non-Life Insurance Business issued by the Reserve Bank of New Zealand. The actual solvency capital for each fund and for the consolidated entity exceeds the Reserve Bank minimum requirements and our intended target capital.

Effective 1 October 2021, the Reserve Bank of New Zealand issued an updated licence condition removing the additive requirement for the Risk Management amount. Under the updated licence, the Company is now only required to hold up to $40m of capital, over and above the regulatory minimum, to be determined by reference to market interest rates. As at balance date, the Company was required to hold $nil in relation to this licence condition. Subsequent to balance date, the Reserve Bank of New Zealand has issued a revised licence condition to the Company, details are included in note 29.

	2021			2020		
	Statutory fund $000	**Shareholder Fund $000**	**Total $000**	**Statutory fund $000**	**Shareholder Fund $000**	**Total $000**
Solvency						
Actual Solvency Capital	684,574	11,164	**695,738**	699,464	12,052	**711,516**
Minimum Solvency Capital	597,615	4,518	**602,133**	611,691	5,598	**617,289**
Solvency Margin	**86,959**	**6,646**	**93,605**	**87,773**	**6,454**	**94,227**
Solvency Ratio	**115%**	**247%**	**116%**	**114%**	**215%**	**115%**

25. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

Financial instruments are fundamental to the Company's business, constituting the core element of its operations. Accordingly, the risk associated with financial instruments are a significant component of the risks faced by the Company. Financial instruments create, modify or reduce the credit, market (including traded or fair value risks and non-traded or interest and foreign currency related risks) and liquidity risks of the Company's balance sheet. These risks and the Company's policies and objectives for managing such risk are outlined below. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Risk Management Policies and Objectives

The financial condition and operating results of the Group are affected by a number of key financial and non-financial risks. Financial risks include interest rate risk, currency risk, credit risk, market risk, financing risk and liquidity risk. The non-financial risks are insurance risk, compliance risk and operational risk.

a) Risk Management Objectives And Policies For Mitigating Risk

The Group's objective is to satisfactorily manage the risks in line with the Group's Risk Strategy and Risk Policy, the relevant details of which are included below.

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25. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Strategy For Managing Risk

Risk Strategy

The Group has put in place a strategy to ensure that the risks underwritten satisfy policyholders' risk and reward objectives, whilst not adversely affecting the Group's ability to pay benefits and claims when due. The strategy involves the identification of risks by type, impact and likelihood, the determination of a risk appetite for each relevant risk, the implementation of processes and controls to mitigate the risks (in accordance with our appetite), and continuous monitoring and improvement of procedures in place to minimise the chance of an adverse compliance or operational risk event occurring. Included in this strategy is the process for underwriting and product pricing to ensure products are appropriately priced.

Allocation of Capital

The Group is required to hold a certain level of assets (capital) in order to prudently meet its liabilities to policyholders, fulfil its new business plans and meet regulatory capital requirements. Capital is held partly in the Statutory Fund based on management's assessment of the risk that each line of business is exposed to, and its views on the profitability of the products that are sold, on the regulatory capital requirements and its own views about a suitable margin above the regulatory requirement. At no stage during the year was the Group in breach of the minimum solvency capital requirements or its internal target framework. Refer Note 24 for disclosures on the Group's solvency requirements and margins.

c) Methods to Monitor and Assess Risk Exposures

Exposure to Risk

In an effort to protect and enhance shareholder value, the Group actively manages its exposure to risks so that it can react in a timely manner to changes in financial markets, insurance cycles, and economic and political environments.

Management Reporting

The Group reports monthly financial and operational results, mortality and morbidity experience, claims frequency and severity, and exposure for each portfolio of contracts (gross and net of reinsurance) to the Board and to Cigna's Asia Pacific Regional Management Committee.

d) Methods to Limit or Transfer Risk Exposure

Reinsurance

The Group's reinsurance activities and needs are monitored and directed by the Board, based upon recommendations from the Appointed Actuary. The Appointed Actuary can call on the support of Cigna Corporation's Reinsurance and Underwriting Department based in the United States. Reinsurance programmes are put in place to mitigate the impact on the Group's exposure to risk and to ensure the achievement of an appropriate choice of type of reinsurance and retention levels.

Underwriting Procedures

Strategic underwriting decisions are put into effect using the underwriting procedures detailed in the Group's underwriting manual. Such procedures include limits to delegated authorities and signing powers. The underwriting process is monitored by the internal quality control personnel to ensure adequate controls are in place over the underwriting process and that the controls are effective.

Claims Management

Strict claims management procedures ensure the timely and correct payment of claims in accordance with policy conditions.

Asset and Liability Management Techniques

Duration analysis is primarily used for interest-sensitive products and policies with long-term fixed pay out patterns. Sensitivity analyses help to indicate how certain market fluctuation scenarios would affect future cash flows and fair values.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Concentration of Insurance Risk

Insurance Risks Associated With Human Life Events

The Group aims to maintain an appropriate solvency margin in excess of the minimum requirements for any given in force business mix. The Group determines insurance risk concentrations based on the levels of sum assured as well as age and gender profiling of the policyholders. The Group uses reinsurance to manage the impact of insurance risk concentrations.

Financing and Liquidity Risk

Financing and liquidity risk is the risk that the Group will not be able to meet its cash outflows, as they fall due, because of lack of liquid assets or access to funding on acceptable terms.

To mitigate financing and liquidity risk the Group maintains sufficient liquid assets to ensure that the Group can meet its obligations and other cash outflows on a timely basis. The Group is required to monitor its own liquidity position and reports monthly to the Board of Directors its liquidity ratio.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding management requirements.

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective fair values unless otherwise noted, determined in accordance with the accounting policies disclosed in Note 14 Financial instruments by categories.

Quantitative Liquidity Risk

The table below summarises the Group's financial liabilities into relevant maturity groups based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are contractual discounted cash outflows that include interest payments and exclude the impact of netting agreements.

As at 31 December 2021	Less than 1 year $000	Greater than 1 year $000	Total $000
Payables	13,530	-	13,530
Employee entitlements	6,805	-	6,805
Other liabilities	417	-	417
Lease liabilities	1,878	4,184	6,062
Insurance liabilities	(3,584)	171,941	168,357
Total	**19,046**	**176,125**	**195,171**

As at 31 December 2020	Less than 1 year $000	Greater than 1 year $000	Total $000
Payables	14,575	-	**14,575**
Employee entitlements	6,848	-	**6,848**
Other liabilities	249	-	**249**
Lease liabilities	1,662	5,814	**7,476**
Insurance liabilities	(2,586)	168,506	**165,920**
Letters of credit and guarantees issued	50	-	**50**
Total	**20,798**	**174,320**	**195,118**

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk

Management of market risk is generally less critical for short-term insurance products, as the amounts and timing of claims do not vary significantly with interest rates or other market changes that affect the underlying investments. The premiums received and the investment returns (net investment income and realised gains and losses) provide substantial liquidity to meet claims payments and associated expenses as they arise. Consequently, there is greater flexibility in investment strategies for these short term products.

Interest Rate Risk

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk through its fixed interest investments, and cash holdings. The Group manages its exposure through the use of an experienced investment manager operating within the confines of a Board approved investment mandate. The Group's exposure to interest rate risk is shown by the below sensitivity analysis.

As at 31 December if interest rates on cash deposits and interest bearing investments had been 100 basis points higher or 100 basis points lower with all other variables held constant the impact on post tax profits and equity would have been as follows:

Effect on profit and equity	2021 +100bpts/(100 bpts) $000	2020 +100bts/(100b pts) $000
Cash and cash equivalents	417/(417)	440/(440)
Financial assets at fair value through profit or loss	2,306/(2,306)	2,724/(2,724)
Leases	7/(7)	6/(6)

Refer note 8 for interest rate risk on Policy Holder Liabilities.

Foreign Currency Risk

Currency risk is the risk of loss resulting from changes in exchange rates when applied to assets and liabilities or future transactions denominated in a currency that is not the Group's functional currency. The Group has no material exposure to any foreign currency risk and as such any sensitivity on the exposure is considered immaterial.

Exposure to Price Risk

Price risk is the risk of loss resulting from the decline in prices of equity securities or managed investment trusts. The Group is exposed to the price risk because of its investments in managed investment trusts.

The price risk is managed by diversification of the Investment portfolio, which is done in accordance with the limits set by the Investment mandates and monitored by the Group's internal Asset-Liability Committee and the Board of Directors.

As at 31 December if prices were to increase or decrease by 10% with all other variables held constant the impact on post tax profits and equity would have been as follows:

Effect on profit and equity	2021 +10%/(10%) $000	2020 +10%/(10%) $000
Equity securities	94/(94)	196/(196)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk Exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Credit exposure in respect of the Group's cash deposit balances is limited to banks with minimum A credit ratings. Investments held with banks and financial institutions that are managed by investment managers have a minimum credit rating accepted by the Group of 'A'. Independent ratings are used for customers that are rated by rating agencies. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The maximum credit risk for financial assets is the carrying amount less, where applicable, any provision for impairment. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, term deposits, insurance receivables and investment debtors, sundry debtors and related party loans and receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Group.

No financial assets are held as collateral, security or other credit enhancements.

f) Credit Quality Tables

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings. The table below sets out the equivalent Standard and Poor's credit rating for cash and cash equivalents, short term investments, fixed interest securities, managed investment funds, insurance receivables and other receivables designated at fair value through profit or loss.

	2021		2020	
Cash and cash equivalents	**%**	**$000**	**%**	**$000**
AAA	0.0%	-	-	-
AA+	0.0%	-	-	-
AA	0.0%	-	-	-
AA-	97.1%	40,464	95.6%	42,060
A+	2.9%	1,215	0.5%	241
A	0.0%	-	-	-
A-	0.0%	-	3.9%	1,706
Total cash and cash equivalents	**100%**	**41,679**	**100.0%**	**44,007**

	2021		2020	
Financial assets at FV through P&L – fixed interest	**%**	**$000**	**%**	**$000**
AAA	51.8%	119,443	3.4%	9,268
AA+	0.0%	-	50.4%	137,205
AA	9.1%	20,985	3.0%	8,143
AA-	28.6%	65,896	38.4%	104,401
A+	0.0%	-	-	-
A	2.1%	4,954	-	-
A-	4.7%	10,758	2.9%	7,908
No external rating	3.3%	7,676	1.2%	3,346
Total Fixed Interest	**99.6%**	**229,712**	**99.3%**	**270,271**
Managed investment funds				
No external rating	0.4%	936	0.7%	1,961
Total Financial Assets at FV Through P&L	**100%**	**230,648**	**100.0%**	**272,232**

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2021		2020	
Insurance receivables	**%**	**$000**	**%**	**$000**
AAA	0.0%	-	-	-
AA+	0.0%	-	3.5%	452
AA	0.0%	-	-	-
AA-	69.8%	8,030	72.8%	9,392
A+	1.7%	200	0.2%	25
A	0.7%	81	-	-
A-	2.5%	292	1.0%	123
No external rating	25.2%	2,894	22.5%	2,901
Total insurance receivables	**100%**	**11,497**	**100.0%**	**12,893**

	2021		2020	
				Restated*
Other receivables	**%**	**$000**	**%**	**$000**
AAA	8.8%	747	0.5%	65
AA+	0.0%	-	5.6%	755
AA	1.5%	126	-	-
AA-	3.1%	269	0.3%	46
A+	0.0%	-	13.5%	1,835
A	0.0%	-	-	-
A-	0.8%	64	0.9%	116
No external rating	85.8%	7,328	79.2%	10,758
Total other receivables	**100%**	**8,534**	**100.0%**	**13,575**

The financial strength ratings for the Group's major reinsurers are shown in the table below:

	2021		2020	
Counterparty	**Ratings Agency**	**Rating**	**Ratings Agency**	**Rating**
BNZ Life	AM Best	A	AM Best	A
Swiss Reinsurance Co. Life & Health Australia Ltd	S&P	AA-	S&P	AA-
Westpac Life	S&P	A+	S&P	A+
RGA Reinsurance Company of Australia Ltd	S&P	AA-	S&P	AA-
General Reinsurance Life Australia Ltd. (Gen Re)	S&P	AA+	S&P	AA+
Swiss Re (Hong Kong)	S&P	AA-	S&P	AA-
Lloyds	S&P	A+	S&P	A+
Hannover Life Reassurance of Australia Ltd	S&P	AA-	S&P	AA-
SCOR Global Life Australia Pty Ltd	S&P	AA-	S&P	AA-
Axis Re SE	S&P	A+	S&P	A+
Partner Reinsurance Co. of US	S&P	A+	S&P	A+
Munich Reinsurance Co. of Australasia Ltd	S&P	AA-	S&P	AA-
Cigna Global Reinsurance Company Limited	Not Rated	N/A	Not Rated	N/A

26. CAPITAL COMMITMENTS

The Group had no material capital commitments at balance date (2020: Nil).

27. RELATED PARTY INFORMATION

The Group is a wholly owned subsidiary of Cigna New Zealand Holdings Limited. Its ultimate parent company is Cigna Corporation. All members of the Group are considered to be related parties of the Group.

a) Key Management Personnel Compensation

Compensation type	Group 2021 $000	Group 2020 $000
Salaries and other short term benefits	5,694	5,701
Post-employment benefits	541	495
Termination benefits	57	-
Directors' fees	338	266
Total compensation	**6,630**	**6,462**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise). The Group considers the Directors and Senior Leadership Team members as Key Management Personnel (KMP).

In addition to benefits provided by the Company, the Company's ultimate parent, Cigna Corporation, administers a Long Term Incentive Scheme issuing various awards to local KMP for which the parent incurs the cost. The associated cost in the current year was $619k (2020: $517k).

b) Transactions with Related Parties

Related party	Nature of transactions	Group 2021 $000	Group 2020 $000
OnePath Life (NZ) Limited	Recharge of goods and services	-	4,292
Cigna Global Holdings, Inc	Recharge of goods and services	(1,151)	(1,006)
Cigna Global Reinsurance Company Limited	Reinsurance premium paid	(1,244)	(1,761)
Cigna Global Reinsurance Company Limited	Reinsurance commission earnt	284	307
Cigna Global Reinsurance Company Limited	Reinsurance claims recovery	1,020	775
Cigna HLA Technology Services Company Limited	Recharge of goods and services	(1,215)	(662)
Cigna International Corporation – Hong Kong Branch	Recharge of goods and services	15	-
Cigna New Zealand Holdings Limited	Dividend paid	(78,000)	-
Cigna New Zealand Holdings Limited	Recharge of goods and services	-	56
Total		**(80,291)**	**2,001**

27. RELATED PARTY INFORMATION (CONTINUED)

c) Related Party Receivables

Related party	Nature of transactions	Group 2021 $000	Group 2020 $000
Cigna Global Reinsurance Company Limited	Reinsurance commission earnt	91	75
Cigna Global Reinsurance Company Limited	Reinsurance claims recovery	374	302
Total		**465**	**377**

Related party	Nature of transactions	Group 2021 $000	Group 2020 $000
Cigna International Corporation – HK Branch	Recharge of goods and services	15	-
Cigna Global Holdings, Inc	Recharge of goods and services	3	84
Cigna HLA Technology Services Company Limited	Recharge of goods and services	49	-
Total		**67**	**84**

d) Related Party Payables

Related party	Nature of transactions	Group 2021 $000	Group 2020 $000
Cigna Global Reinsurance Company Limited	Reinsurance premiums	(378)	(398)
Cigna Global Holdings, Inc	Recharge of goods and services	(167)	(496)
Cigna HLA Technology Services Company Limited	Recharge of goods and services	(230)	(68)
Total		**(775)**	**(962)**

28. PRIOR PERIOD ADJUSTMENT

Change in accounting policy following IFRIC agenda decision on software as a service (or "SaaS") implementation costs

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements following the publication of IFRS Interpretations Committee (IFRIC) agenda decision on configuration or customisation costs in a cloud computing arrangement published April 2021 (and ratified by the International Accounting Standards Board (IASB)).

The revised accounting policy is outlined below. This has been applied retrospectively and comparative information has been restated in these financial statements.

<u>Software-as-a-service (SaaS) arrangements accounting policy</u>

SaaS arrangements that only provide the group with the right to access the cloud provider's application software are treated as service contracts and expensed over the contract period. Costs incurred to configure or customise a SaaS solution which do not meet the definition and recognition criteria to be capitalised as an intangible asset are recognised as operating expenses when the services are received. Where such implementation costs are determined to be non-distinct from the SaaS software, the services are deemed to be received over the period of the arrangement.

28. PRIOR PERIOD ADJUSTMENT (CONTINUED)

Application of judgement

In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, management applied judgement to determine that the Company does not have control of the underlying software and relating implementation configuration costs were not distinct from the software itself.

Impact on the Financial Statements

Application of the above accounting policy and judgements has resulted in the restatement of 2020 comparative figures for one SaaS contract in place by the Group.

This contract was between OnePath Life (NZ) Limited (OnePath) and the cloud provider. In October 2019, OnePath capitalised an intangible asset for implementation costs of $7.4m which has retrospectively been adjusted to:

(a) Expense $3.7m upfront costs which were not configuration or customisation in nature (and distinct costs in line with the IFRIC agenda decision in April 2021)
(b) Prepay $3.6m non-distinct configuration and customisation costs over the agreed term of five years
(c) Reflect the decrease in deferred tax liability for the lower accounting base

On 31 January 2020, all of the assets and liabilities of OnePath were transferred to the Group. As such, a third balance sheet has not been presented in accordance with IAS 1 as there was no impact on the Group's financial statements prior to this date.

The change in accounting policy has had the following impacts on the comparative period presented in these financial statements:

	Group 2020 $000 (Historical)	Adj. 2020 $000	Group 2020 $000 (Restated)
Statement of Financial Position			
Other receivables	10,851	2,724	13,575
Intangible assets	101,159	(5,528)	95,631
Deferred tax liability[2]	(209,491)	785	(208,706)
Total assets / net assets	**881,773**	**(2,019)**	**879,754**
Retained earnings	165,024	(2,019)	163,005
Total equity	**881,773**	**(2,019)**	**879,754**

	Group 2020 $000 (Historical)	Adj. 2020 $000	Group 2020 $000 (Restated)
Statement of Comprehensive Income			
Other expenses[1]	(130,095)	685	(129,410)
Profit before income tax	**85,531**	**685**	**86,216**
Income tax credit / (expense)[2]	(24,753)	(192)	(24,945)
Profit after income tax	**60,778**	**493**	**61,271**

1. Other expenses represents an increase in software license expense of $0.7m offset by a reduction in amortisation expense of $1.4m.
2. The tax base does not change following this change in accounting policy however, as the accounting base is reduced, the associated deferred tax liability reduces in each year.

28. PRIOR PERIOD ADJUSTMENT (CONTINUED)

	Group 2020 $000 (Historical)	Adj. 2020 $000	Group 2020 $000 (Restated)
Statement of Cash Flows			
Operating activities reconciliation			
Profit after tax	**60,778**	**493**	**61,271**
Amortisation expense	4,725	(1,351)	3,374
Change in accounting policy[1]		858	858
Net cash inflow from operating activities	**36,713**	**-**	**36,713**

1. Change in accounting policy reflects other non-cash items including the increase in software license expense of $0.7m and an additional $0.2m in relation to tax expense.

29. SUBSEQUENT EVENTS

On 24 February 2022, the Reserve Bank of New Zealand modified the conditions of the Company's licence that was issued on 13 August 2013 and most recently modified on 22 September 2021 to reduce the interest rate amount for the Statutory Fund under the licence condition from $40m to $6m.

This Appointed Actuary's report under Section 78 of the Insurance (Prudential Supervision) Act 2010 (IPSA) is prepared in respect of the financial statements of Cigna Life Insurance New Zealand Limited (the Company) for the period ended 31 December 2021.

I have undertaken a review of the actuarial information (as defined in section 77(4) of IPSA) contained in, and used in the preparation of, the financial statements of the Company (the Financial Statements) as required under section 77(1) of IPSA.

My review has been carried out in accordance with the Solvency Standard for Life Insurance Business 2014 issued by the Reserve Bank of New Zealand (the Solvency Standard), which is the solvency standard applicable to the Company under section 55 of IPSA, and with the New Zealand Society of Actuaries' Professional Standards.

In respect of my review, I confirm as follows:

(a) I, Michael Bartram FNZSA, am the Appointed Actuary for the Company under section 76(1) of IPSA, and that I have prepared this report.

(b) The work that I have done to review the actuarial information contained in, or used in the preparation of the Financial Statements, includes a review of:

   (i) Information relating to the Company's calculations of premiums, claims, reserves, dividends, insurance rates, and technical provisions (annuity rates and unvested policyholder benefits liability are not applicable to the Company);

   (ii) Information relating to assessments of the probability of uncertain future events occurring and the financial implications for the Company if those events do occur;

   (iii) The Company's Insurance Contract Assets and Liabilities, as defined in the Solvency Standard;

   (iv) Risk management policies including reinsurance exposures and reinsurance assets relevant to the Insurance Contract Assets and Liabilities;

   (v) The deferred tax assets or liabilities relevant to the Insurance Contract Assets and Liabilities;

   (vi) The deferred acquisition cost relevant to the Insurance Contract Assets and Liabilities;

   (vii) The analysis of the Company's profit;

   (viii) Any additional assumptions used in the calculation of the Insurance Contract Assets and Liabilities;

   (ix) The consistency between the New Zealand Society of Actuaries *Professional Standard 20 "Determination of Life Insurance Policy Liabilities"* and the calculated Insurance Contract Assets and Liabilities ;

   (x) The consistency between the Solvency Standard and the calculated Solvency Margins, and

   (xi) The Company's checks and controls over data and valuation processes.

(c) Other than my relationship as Appointed Actuary, I am an employee of Cigna Life Insurance New Zealand Limited (CLINZ), receiving remuneration in the form of a fixed salary with eligibility for performance bonuses and other payments. I have a small number of shares in the Cigna Corporation, as part of an employee share scheme.

(d) I have obtained all information and explanations that I have required in order to conduct my review under section 77 of IPSA. There were no limitations in the scope of my review.

(e) I consider that in my opinion and from an actuarial perspective:

   (i) The actuarial information contained in the Financial Statements has been appropriately included in the Financial Statements.

   (ii) The actuarial information used in the preparation of the Financial Statements has been used appropriately.

(f) I consider that in my opinion and from an actuarial perspective, the Company, as at 31 December 2021 is maintaining a solvency margin that complies with that required under the Solvency Standard for the purposes of section 21(2)(b) of IPSA.

(g) I consider that in my opinion and from an actuarial perspective as at 31 December 2021 the Company is maintaining solvency margins that comply with those required under the Solvency Standard for the purposes of section 21(2)(c) of IPSA.

I have prepared, dated and signed this report solely in my capacity as the Company’s Appointed Actuary under section 76(1) of IPSA. To the fullest extent permitted by law, I do not accept responsibility to anyone other than the Reserve Bank of New Zealand, the Company, its board and shareholder for the contents of this report.

Michael Bartram
Appointed Actuary
Cigna Life Insurance New Zealand Limited
12 April 2022

Independent auditor's report

To the Shareholder of Cigna Life Insurance New Zealand Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Cigna Life Insurance New Zealand Limited (the Company), including its subsidiary (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2021, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include 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)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated 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.

Independence

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

Our firm carries out other services for the Group in the area of other assurance services over the regulatory solvency return. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. These services and relationships have not impaired our independence as auditor of the Group.

Key audit matters

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

Description of the key audit matter	How our audit addressed the key audit matter
Valuation of life insurance contract assets and life insurance contract liabilities - reinsurance As detailed within note 8, as at 31 December 2021, the Group had life insurance contract assets of $823.0 million (31 December 2020: $849.5 million) and life insurance contract liabilities - reinsurance of $168.4 million (31 December 2020: $165.9 million). We consider the valuation of life insurance contract assets and life insurance contract liabilities - reinsurance as a key audit matter due to: ● the subjective judgements around key material assumptions required to be made by the Directors, and ● the sensitivity of the life insurance contract assets and associated liabilities valuation to changes in these judgements and assumptions. These key actuarial assumptions represent best estimate assumptions at the reporting date and include the expected future cash flows to be generated by the policies. This includes estimates of future: ● premium payments adjusted for lapse risk, ● economic assumptions, ● mortality and morbidity, and ● expenses. These forecast cash flows are then adjusted to present day values using long term economic assumptions including discount rates and inflation rates. Life insurance policy data, including reinsurance programme information, is used as a key input to the actuarial estimates. Refer to the following notes in the Group's consolidated financial statements: Note 2 for related accounting policies and for critical accounting estimates and judgements; Note 3 for sources of profit; and Note 8 for life insurance contract assets and liabilities and a summary of significant actuarial methods and assumptions.	We have obtained an understanding of the controls in place for the valuation of life insurance contract assets and life insurance contract liabilities - reinsurance. We used PwC actuarial experts to assist with the audit of this area. Specifically, together we: ● assessed the reasonableness of the key assumptions including those for rates of lapse (cancellation), mortality and morbidity rates, expenses and economic assumptions. Our assessment of the assumptions included: ○ obtaining an understanding of the controls in place to determine the assumptions, ○ assessing the approach (including changes to underlying estimates) used by management to derive the assumptions by applying our industry knowledge and experience, ○ evaluating the changes to the actuarial models and methodologies used, by comparing with generally accepted models and methodologies applied in the sector, and ○ challenging the key assumptions used by management against past experience, market observable data (as applicable) and our experience of market practice. ● assessed the reasonableness of the sources of profit to consider whether assumption changes are consistent with experience and whether the movement in life insurance contract assets and associated liabilities from the prior reporting period have been adequately explained. ● assessed the valuation methodologies used by applying our industry knowledge and experience.

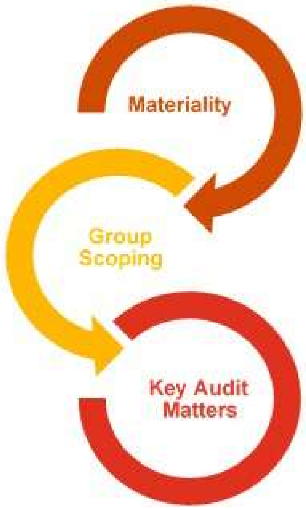
- in relation to changes to the valuation methodology, compared whether the methodologies, and any changes to those methodologies, are consistent with recognised actuarial and accounting practices and expectations derived from market experience.
- assessed the appropriateness of valuation model changes enacted during the year by understanding and testing management's validation and change control processes, and on a sample basis testing the accuracy of underlying calculations in the valuation model.

Policy data, including the reinsurance programme information, is a key input to the actuarial estimates. Accordingly, we tested the completeness and accuracy of data between source and actuarial valuation systems and the integrity of the models used in the calculations.

We have no matters to report from the procedures performed.

Our audit approach

Overview



Overall group materiality: $3.03 million, which represents approximately 1% of premium revenue from insurance contracts.

We chose premium revenue from insurance contracts as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the Group, is not as volatile as other profit or loss measures, and is a generally accepted benchmark. The 1% is based on our professional judgement, noting that it is also within the range of commonly accepted revenue related thresholds.

We selected transactions and balances to audit based on their materiality to the Group rather than determining the scope of procedures to perform by auditing only specific subsidiaries or business units.

As reported above, we have one key audit matter, being:

- Valuation of life insurance contract assets and life insurance contract liabilities - reinsurance

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/
This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
12 April 2022

Wellington