Aioi Nissay Dowa Insurance Company, Limited

New Zealand Branch

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

Aioi Nissay Dowa Insurance Co.,Ltd.
MS&AD INSURANCE GROUP

New Zealand Branch

CONTENTS

BRANCH DIRECTORY

FOR THE YEAR ENDED 31 MARCH 2022

Nature of Business	Aioi Nissay Dowa Insurance Company, Limited New Zealand Branch Fire and General Insurers
Registered Office	L3, Building C, 602 Great South Road Greenlane, Auckland, New Zealand

Directors of Aioi Nissay Dowa Insurance Company, Limited.

Full legal name:	Yasuzo Kanasugi
Residential address:	4-14-14-3407 Akasaka, Minato-ku, Tokyo, 107-0052, Japan
Appointment date:	17 Sep 2012
Full legal name:	Satoru Tamura
Residential address:	3-9-2 Hamadayama, Suginami-ku, Tokyo, 168-0065, Japan
Appointment date:	1 Apr 2018
Full legal name:	Michio Kitahara
Residential address:	3-8-19 Hamadayama, Suginami-ku, Tokyo, 168-0065, Japan
Appointment date:	24 June 2019
Full legal name:	Tomiji Akabayashi
Residential address:	1-8-19-405 Gohongi, Meguro-ku, Tokyo, Japan
Appointment date:	1 April 2021
Full legal name:	Hitoshi Ishikawa
Residential address:	3-34-1-1004 Shiba, Minato-ku, Tokyo, 105-0014, Japan
Appointment date:	22 Jun 2015

BRANCH DIRECTORY (continued)

FOR THE YEAR ENDED 31 MARCH 2022

Directors of Aioi Nissay Dowa Insurance Company, Limited. (continued)

Full legal name:	Nobuko Takahashi
Residential address:	2-17-1 Shimodacho, Kohoku-ku, Yokohama-shi, Kanagawa, 223-0064, Japan
Appointment date:	22 Jun 2015
Full legal name:	Masahiro Higuchi
Residential address:	1-14-5 Gohongi, Meguro-ku, Tokyo, 153-0053, Japan
Appointment date:	20 May 2016
Full legal name:	Takaoki Endo
Residential address:	9-15-1011 Idasanmaicho, Nakahara-ku Kawasaki-shi, Kanagawa, 211-037 Japan
Appointment date:	24 Jun 2020
Full legal name:	Hiroshi Takahashi
Residential address:	2-8-27 Sekimachiminami, Nerima-ku Tokyo, 177-0053, Japan
Appointment date:	1 Apr 2017
Full legal name:	Yasuhiko Sato
Residential address:	5-23-6 Okusawa, Setagaya-ku, Tokyo, 158-0083, Japan
Appointment date:	26 Jun 2017
Full legal name:	Yuji Mikasa
Residential address:	3-24-19 Maihama, Urayasu-shi Chiba, 279-0031, Japan
Appointment date:	24 Jun 2020
Full legal name:	Keisuke Niiro
Residential address:	1-3-13-304 Todoroki, Setagaya-ku Tokyo, 158-0082 Japan
Appointment date:	24 Jun 2020
Full legal name:	Wakana Hitotsuyanagi
Residential Address:	1-4-4-706, Mita, Meguro-ku Tokyo, 153-0062 Japan
Appointment date:	25 Jun 2021

BRANCH DIRECTORY (continued)

FOR THE YEAR ENDED 31 MARCH 2022

Auditor	Ernst & Young Auckland, New Zealand
Bankers	ANZ Banking Group (New Zealand) Ltd
	Westpac New Zealand Limited
Legal	Gazeburt Auckland, New Zealand
	Robertsons Auckland, New Zealand
Actuary	Taylor Fry Melbourne, Australia
Business location	L3, Building C, 602 Great South Road Greenlane, Auckland

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 $	2021 $
Gross written premiums		**34,765,907**	**30,102,219**
Movements in unearned premiums	6	(714,545)	(2,245,258)
Gross earned premium		**34,051,362**	**27,856,961**
Reinsurance expense		(383,302)	(251,967)
Net premium revenue		**33,668,060**	**27,604,994**
Gross claims expense	7	(23,433,993)	(19,426,194)
Reinsurance and other recoveries		5,348,124	4,801,440
Net Claims Expense		**(18,085,869)**	**(14,624,754)**
Acquisition costs	8	(5,380,775)	(4,715,264)
Underwriting result		**10,201,416**	**8,264,976**
Operating expenses	9	(5,761,457)	(5,705,626)
Investment income		79,468	124,385
Profit before tax		**4,519,427**	**2,683,735**
Taxation (expense)/benefit	10	(1,265,440)	(751,446)
Profit after tax and comprehensive income for the year attributable to the shareholder of Aioi Nissay Dowa Insurance Co., Ltd		**$ 3,253,987**	**$ 1,932,289**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Head Office Account $	Accumulated Deficit $	Total $
Balance at 1 April 2020	568,867	(1,263,975)	(695,108)
Total comprehensive income	-	1,932,289	1,932,289
Balance at 31 March 2021	568,867	668,314	1,237,181
Balance at 1 April 2021	568,867	668,314	1,237,181
Total comprehensive income	-	3,253,987	3,253,987
Balance at 31 March 2022	568,867	3,922,301	4,491,168

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 $	2021 $
Assets			
Cash and cash equivalents		8,470,113	8,570,963
Investments	11	6,777,070	6,789,020
Intangible Assets	12	4,894,465	765,543
Premium and other receivables	13	10,497,500	9,171,179
Deferred acquisition costs	14	3,195,971	3,204,882
Third party recovery receivables		3,050,435	2,161,238
Current taxation receivable	15	-	-
Total Assets		**36,885,554**	**30,662,825**
Liabilities			
Accounts Payable	17	1,516,008	747,748
Reinsurance payable	18	-	125,340
Outstanding claims liability	19	7,150,655	6,182,536
Unearned premium reserve	20	21,445,952	20,512,089
Other current liabilities	22	153,455	503,423
Current taxation payable	15	1,233,441	457,138
Deferred taxation liability	16	894,875	897,370
Total Liabilities		**32,394,386**	**29,425,644**
Net Assets / (Liabilities)		**4,491,168**	**1,237,181**
Equity			
Head Office account		568,867	568,867
Accumulated surplus / deficit		3,922,301	668,314
Total Equity		**4,491,168**	**1,237,181**

For and on behalf of the Board, who authorise the issue of these financial statements:

Masahiro Higuchi
Director

Yusuke Shirai
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 $	2021 $
Net cash inflow from operating activities	A	4,019,611	4,724,280
Net cash (outflow) from investment activities	B	(4,120,461)	(572,313)
Increase in cash in the year	C	**(100,850)**	**4,151,967**

Notes to the Statement of cash flows

A. Operating activities

	Notes	2022	2021
Profit before tax		4,519,427	2,683,735
Adjusted for:			
Non cash items included in the profit before tax			
- Depreciation		82,957	
- (Increase) in premium and other receivable		(2,215,518)	(1,151,591)
- (Increase) in deferred acquisition costs		8,911	(372,633)
- Increase in accounts payable		768,260	(60,421)
- Increase (Decrease) in reinsurance payable		(125,340)	31,448
- Increase in outstanding claims liability		968,119	969,330
- Increase in unearned premium reserve		933,863	2,245,258
- Increase (Decrease) in other liabilities		(349,968)	474,387
Non-operating cash items included in profit before tax			
- Investment income		(79,468)	(124,385)
Taxation (paid)	15	(541,789)	(54,102)
Income taxation refunded	15	50,157	40,591
Payments received/(made) for tax loss utilization	15	-	42,663
Net cash flow from operating activities		**4,019,611**	**4,724,280**

B. Investing activities

		2022	2021
Sale / (Purchase) of fixed assets		(4,211,879)	(765,543)
Interest received		91,418	193,230
Net cash flow used in investing activities		**(4,120,461)**	**(572,313)**

C. Movement in cash and cash equivalents

		2022	2021
Cash and cash equivalents at the end of year		8,470,113	8,570,963
Cash and cash equivalents at the beginning of year		8,570,963	4,418,996
		(100,850)	**4,151,967**

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1. CORPORATE INFORMATION

a. New Zealand Branch

The financial statements are for the New Zealand branch of Aioi Nissay Dowa Insurance Company, Limited (the "Branch"). The Branch is a branch of Aioi Nissay Dowa Insurance Company, Limited (the "Company"), a company incorporated in Japan and an overseas company registered under the Companies Act 1993. The Branch provides insurance directly and through agents to other entities. As a registered Branch, policyholders have direct recourse to Aioi Nissay Dowa Insurance Company, Limited. The ultimate parent of Aioi Nissay Dowa Insurance Company, Limited. is MS&AD Insurance Group Holdings, Inc. (Japan).

These Branch financial statements should be read in conjunction with the full financial statements of Aioi Nissay Dowa Insurance Company, Limited.

The Branch has been registered in New Zealand as a branch of the Company since May 2009.

The financial statements of the Branch are for the year ended 31 March 2022. The financial statements were authorised for issue by the Directors on 22 July 2022.

b. Corporate governance

The Directors of Aioi Nissay Dowa Insurance Company, Limited are primarily responsible for the corporate governance of the Branch. The implementation and management of governance processes is delegated to Aioi Nissay Dowa Management New Zealand Limited.

2. SUMMARY OF SIGNIFICANT POLICIES

a. Basis of preparation

The financial statements of the Branch comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZGAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and other financial reporting standards as appropriate for for-profit entities. The financial statements are prepared in accordance with the requirements of the Financial Markets Conduct Act 2013.

The financial statements are presented in New Zealand dollars ($). This is the Branch's functional and presentation currency.

The financial statements provide comparative information in respect of the previous period.

Comparative figures have been reclassified where appropriate to conform to the current year's presentation.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis, as modified by certain exceptions noted in the financial statements, with the principal exception being the measurement of investments at fair value, the measurement of the outstanding claims liability and unearned premium.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2021

SUMMARY OF SIGNIFICANT POLICIES (continued)

c. Intangible Assets

Intangible assets are assets without physical substance. They are recognised as an asset if it is probable that expected future economic benefits attributable to the asset will flow to the Branch and that costs can be measured reliably.

The Intangible asset cost reflects the costs incurred less accumulated amortisation and accumulated impairment losses of the systems used in undertaking the Insurance business.

The intangible asset is amortised on a straight-line basis over the estimated useful life of the asset, which is 5-year.

d. New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year.

The following new accounting standards which are deemed to have an impact on the financial statements or performance of the Branch have been issued but are not yet effective or exemption applies:

NZ IFRS 17: On 1 March 2020, the New Zealand Accounting Standards Board ("NZASB") completed its discussions on the amendments to NZ IFRS 17 Insurance Contracts that were proposed for public consultation in June 2019. The IASB decided that the effective date of NZ IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023, an extension of 2 years to the original effective date.

This standard will increase transparency and will give users more insight into an insurer's financial health. NZ IFRS 17 uses a single revenue recognition principle to reflect services provided. Insurers will need to account for business performance at a more granular level.

The Branch believe the adoption of this new standard will have some degree of impact on its financial statements. The Branch will continue to review and evaluate the potential effect of NZ IFRS 17.

NZ IFRS 17 Insurance Contracts is effective for periods beginning on or after 1 January 2023. The Branch will apply the standard for the year ending 31 March 2024, with the comparative period for the year ending 31 March 2023. The standard replaces the current guidance in NZ IFRS 4 Insurance Contracts, and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard introduces substantial changes in the presentation of financial statements and disclosures, introducing new balance sheet and income statement line items and increased disclosure requirements compared with existing reporting.

An initial assessment has been completed on the Branch insurance contracts, and it is expected that the majority of the Branch's insurance contracts will meet the requirements of the simplified approach available under IFRS 17. However, due to the complexity of the requirements within the standard and the availability of accounting policy choices as to how the standard is implemented which have not yet been finalised, a full assessment of the financial impact has not yet been completed.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2022

2. SUMMARY OF SIGNIFICANT POLICIES (continued)

e. insurance contracts

An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain insured event adversely affects the policyholder. The insurance activities of the Branch all arise from general insurance contracts.

f. Revenue

Premium revenue comprises amounts charged to the policyholders excluding taxes and levies collected on behalf of third parties. The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue. Premium on unclosed business is brought to account using estimates and based on the proportion of proposed business that is expected to be closed.

g. Unearned premium

Unearned premium are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. Unearned premiums are calculated based on the pattern of risks underwritten. The proportion attributable to subsequent periods is deferred as an unearned premium reserve.

h. Outward reinsurance expense

Premium ceded to reinsurers is recognised as an expense from the date of attachment of risk over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

Reinsurance premium expense on catastrophe and single risk reinsurance is determined based upon a predetermined level of cover, which is adjusted annually to reflect the forecast level of risk.

i. Third party and reinsurance recoveries

During the normal course of the Branch's activities claims are paid which will result in a contractual right to seek recovery from its reinsurers or third parties. At any point in time there will be amounts owing by these counterparties which will be represented by assets on the Statement of Financial Position.

Third party recoveries and reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. The Branch does not consider any of its reinsurance recoveries to be impaired.

j. Claims expense

Claims expense represents the payments for settlements of claims, claims handling costs, and the movement in the outstanding claims liability.

k. Outstanding claims liability

The central estimate of outstanding claims liabilities is the best estimate of the present value of future projected claims payments and associated claim handling costs in respect of claims reported but not yet paid, claims incurred but not reported ("IBNR") and claims incurred but not enough reported ('IBNER").

Standard actuarial methods are applied to all classes of business to assess the central estimate of outstanding claims liabilities. Features and trends of claims experience including claim frequencies, average claim sizes and individual claim estimates are analysed and assumptions about the future are selected.

A risk margin is added to the central estimate in determining the outstanding claims liabilities. The risk margin is designed to increase the probability of the outstanding claims liabilities proving ultimately to be adequate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

2. SUMMARY OF SIGNIFICANT POLICIES (continued)

l. Liability adequacy testing

The unearned premiums reserve includes premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

A liability adequacy test is performed at each reporting date to assess whether there are any deficiencies in the unearned premium reserve due to expected future claims and claims costs. The amount of these expected future claims is estimated using the present value of future claims and expenses plus an additional risk margin to reflect the inherent uncertainty in those estimated cash flows. This is compared to the unearned premium reserve net of deferred acquisition costs. Any deficiency is recognised in the Statement of Comprehensive Income after first writing down any deferred acquisition costs. Any shortfall after having written down deferred acquisition costs is then recognised in the Statement of Comprehensive Income with the corresponding amount recognised in the Statement of Financial Position as an unexpired risk liability, included in the balance of unearned premium reserve.

The liability adequacy test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

m. Deferred Acquisition Costs (DAC)

Acquisition costs incurred in writing and renewing of insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will be recoverable out of future premiums. Deferred acquisition costs are amortised in accordance with expected pattern of incidence of risk under the insurance contract to which they relate.

DAC is considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts either expire or are disposed of.

n. Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Branch operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

2. SUMMARY OF SIGNIFICANT POLICIES (continued)

Deferred Tax

Deferred tax is provided in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Goods and services tax (GST)

The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All Items in the Statement of Financial Position are stated net of GST, except for receivables and payables, which include GST invoiced. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

o. Cash and cash equivalents

Cash comprises balances on bank current accounts and call accounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

2. SUMMARY OF SIGNIFICANT POLICIES (continued)

p. Financial Assets

Initial recognition and measurement

Financial assets (excluding investments) within the scope of NZ IFRS 9 are classified as financial assets at amortised cost. The Branch determines the classification of its financial assets at initial recognition. In the case of investments these are measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Branch commits to purchase or sell the asset.

The Branch's financial assets include cash, premiums, and other receivables. The Branch's investments include term deposits.

Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss

Deposits with credit institutions have been designated at fair value through profit or loss as they are held to match the average duration of a corresponding insurance liability as assets backing general insurance liabilities.

Financial Assets at amortised cost

Financial Assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, financial assets are measured at amortised cost, using the effective interest rate method (EIR), less allowance for impairment. Amortised cost is calculated by considering any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Investment income' in the statement of comprehensive income. Gains and losses are recognised through the profit or loss when the financial assets are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

2. SUMMARY OF SIGNIFICANT POLICIES (continued)

p. Financial Assets (continued)

Subsequent measurement (continued)

Financial assets have been classified as follows:

Asset	NZ IFRS 9 Classification	Measurement basis
Investments	Financial assets at fair value through profit or loss – designated upon initial recognition	Fair value with changes recognised through profit & loss
Deposits with credit institutions	Financial assets at fair value through profit or loss – designated upon initial recognition	Fair value with changes recognised through profit & loss
Premium, interest and other receivables	Financial assets at amortised cost	Amortised cost less impairment
Due from related parties	Financial assets at amortised cost	Amortised cost less impairment
Cash and cash equivalents	Financial assets at amortised cost	Amortised cost less impairment

De-recognition

Financial assets are derecognised if the Branch's contractual rights to the cash flows from the financial assets expire or if the Branch transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

Impairment of financial assets

The Branch recognise an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. The Branch applies a general approach in calculating ECLs.

q. Premium receivables

Premium receivables are amounts due from policyholders and intermediaries that are initially recognised at fair value being the consideration receivable. They are subsequently measured at amortised cost, using the effective interest rate method, less expected credit losses.

Premium receivables are derecognised when the de-recognition criteria for financial assets, as described in Note 2. has been met.

r. Financial liabilities

Financial liabilities comprise trade and other payables. Financial liabilities are measured at amortised cost.

2. SUMMARY OF SIGNIFICANT POLICIES (continued)

s. Head Office Account

The Branch equity in the form of a Head Office Account represents funds advanced to the Branch by Aioi Nissay Dowa Insurance Company, Limited. There are no externally imposed capital restrictions to which the Branch must adhere. Should additional capital requirements be imposed by the Reserve Bank of New Zealand in terms of the Insurance (Prudential Supervision) Act 2010, Aioi Nissay Dowa Insurance Company, Limited will meet these capitalisation requirements through additional funding to the Branch.

t. Assets Backing General Insurance Liabilities

All financial assets of the Branch are considered to be assets backing general insurance liabilities. As part of its investment strategy the Branch actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

u. Accounts Payable

These amounts represent liabilities for goods and services provided to the Branch prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

v. Going Concern

The financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the shareholder to recapitalise the New Zealand Branch. The New Zealand Branch has obtained the commitment of the shareholder that it will be recapitalised should additional capital requirements be imposed by the Reserve Bank of New Zealand in terms of the Insurance (Prudential Supervision) Act 2010 and relevant New Zealand legislation.

The financial statements do not include any adjustments that would result from a failure to recapitalise the New Zealand Branch.

3. Actuarial Assumptions and Methods

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Payments Per Claim Incurred (PPCI) methods.

A key assumption underlying these techniques is that a Branch's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is analysed by class of business and split by accident and development quarter. Large claims are usually identified individually and a separate allowance made where necessary. Explicit allowance is made for future claims inflation with growth above inflation (i.e. superimposed inflation) based on the rates observed historically and implicit in the valuation assumptions.

A considerable component of the actuarial valuation is the application of qualitative judgment, which is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures). The aim being to arrive at an estimated ultimate cost of claims that represents the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

3. Actuarial Assumptions and Methods (continued)

The actuarial reports for the current period were prepared by Daniel Smith, actuary and principal of Taylor Fry Consulting Actuaries. Daniel Smith is a Fellow of the Institute of Actuaries of Australia (IAAust) and a Fellow of the New Zealand Society of Actuaries (NZSA). The Actuary has stated that Insurance Liabilities have been calculated in accordance with NZSA Professional Standard 30 – General Insurance Business and the IAAust Professional Standard 302 – Valuations of General Insurance Claims. After making appropriate checks, the Actuary was satisfied as to the reasonableness and consistency of the data from which the amount of the insurance liabilities has been determined. The following assumptions have been made in determining the net outstanding claims liabilities:

	2022	2021
Discount rate (average weighted by term)	2.17%	0.26%
Weighted average term to settlement (years)	0.23	0.22
Discounted mean term (years)	0.23	0.22
Assumed net loss ratio	58% to 86% for TVI (for non-COVID-affected quarters) - other classes more volatile	60% to 81% for TVI (for non-Covid-affected quarters) - other classes more volatile
Risk margin (overall diversified)	19.27%	20.49%
Claim handling expense ratio	6.92%	6.48%

Processes used to determine assumptions

The valuations included in the reported results are calculated using assumptions including:

Discount Rate

Outstanding claims liabilities were discounted to present value using the risk-free yield curve based on gross yields to maturity of NZ Government Securities of appropriate terms at 31 March 2022.

Future settlement patterns and weighted average term to settlement

The weighted average term to settlement is an aggregate figure for all classes of business based on expected claims development patterns which are in turn derived from an analysis of historical claims patterns.

Inflation

Insurance costs are subject to inflationary pressures over time. Claim costs are generally related to the inflationary pressures of the materials and goods insured as well as labour costs to effect repairs. The liability classes in New Zealand do not cover weekly and permanent impairment benefits (that are typically indexed). Payments are related to losses suffered by claimants, although legal costs are subject to increases in the wages and disbursements of professionals in that field.

The actuarial valuation applies an explicit inflation assumption of 4.00% per annum, which is 225 basis points higher than the rate of 1.75% adopted in our previous valuation.

3. Actuarial Assumptions and Methods (continued)

Assumed loss ratios

Assumed loss ratios were determined from a consideration of observed loss ratios for historical loss quarters and previously adopted loss ratio assumptions.

Risk margin

The adopted risk margin had previously been based on an industry report which sets out estimates of risk margins by class of business and portfolio size.

For this review (and it is intended for future reviews) we have based the risk margins included in our estimates of the Outstanding Claims Provision and the Premium Liabilities on a framework developed in a paper prepared by the Institute of Actuaries of Australia's Risk Margins Taskforce. The paper titled "A Framework for Assessing Risk Margins" provides the steppingstones for the development of risk margins. A number of assumptions are required as part of the framework, and each have an element of uncertainty. The risk margin adopted to achieve the level of sufficiency of 80% (2021: 75%).

The change in level of sufficiency was adopted as an outcome of a review of capital management including reinsurance coverage within the context of the Board's risk appetite. The impact of the change to outstanding claim liability is not material.

Expense allowance

An estimate of outstanding claims liabilities will typically incorporate an allowance for the future cost of administering the claims. This allowance was based on a high-level company analysis of claim related expenses and calculated to be 7% of the gross outstanding claims cost for TVI and 6% for all other classes. These rates are consistent with those adopted in our previous review.

Sensitivity

The table below sets out the impact of variation in key assumptions on the value of the outstanding claims liabilities, net of reinsurance and other recoveries. This illustrates exposure to the risk of changes in the underlying assumptions and experience.

Variable	Movement in variable	Net outstanding claim liabilities increase / (decrease) $
Discount rate	+1%	-6,000
Discount rate	-1%	+6,000
Assumed loss ratio	+ 10 percentage points	+344,000
Assumed loss ratio	- 10 percentage points	-344,000
Inflation	+1%	+6,000
Inflation	-1%	-6,000
Settlement pattern	+0.5 year	+22,000
Settlement pattern	-0.5 year	-10,000
Claims handling expense ratio	+1%	+70,000
Claims handling expense ratio	-1%	-70,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

4. Insurance Contracts – Risk Management Policies and Procedures

The principal risk the Branch faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Branch is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across the portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Branch purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Branch to certain classes of business. Non-proportional reinsurance is primarily designed to mitigate the Branch net exposure to catastrophe losses.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Branch has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

5. Insurance and Financial Risks

Credit risk

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

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

- Net exposure limits are set for each counterparty or group of counterparties – i.e., limits are set for investments and cash deposits that may be held. Counterparty credit limits are reviewed on an annual basis and may be updated throughout the year subject to approval of the Company. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and which are subject to regular reviews. At each reporting date the creditworthiness of reinsurers is assessed to allow for impairment.
- The credit risk in respect of customer balances incurred on non-payment of premiums will only persist during the grace period specified in the policy document, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2022

5. Insurance and Financial Risks (continued)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Branch performance to developments affecting a particular industry.

As the Branch maintains limited financial reserves separate from the Company, the assessment, control, and management of the overall risk from concentrations and the maintenance of a diversified portfolio is carried out at Company level.

Credit exposure by credit rating

The table below provides information regarding the maximum credit risk exposure of the Branch by classifying assets according to Branch's credit ratings of counterparties:

Neither past due nor impaired	Investment grade	Non-graded	TOTAL
	$	$	$
31-Mar-22			
Investments	6,777,070	-	6,777,070
Premium and other receivat	-	10,497,500	10,497,500
Cash and cash equivalents	8,470,113	-	8,470,113
Total	**15,359,984**	**10,497,500**	**25,744,683**
31-Mar-21			
Investments	6,789,020	-	6,789,020
Premium and other receivat	-	9,171,179	9,171,179
Cash and cash equivalents	8,570,964	-	8,570,964
Total	**15,359,984**	**9,171,179**	**24,531,163**

Cash and cash equivalents and term deposits are invested with New Zealand banks that all have a credit rating of AA- stable. Insurance receivables are not rated.

Age analysis of financial assets past due but not impaired

For assets to be classified as "past-due" and impaired, contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

As at 31 March 2022, there were no financial assets past due but not impaired (2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

5. Insurance and Financial Risks (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The following procedures are in place to mitigate the exposure to liquidity risk:

- The Branch manages its liquidity risk by monitoring the total cash inflows and outflows on a daily and monthly basis.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets in order to ensure sufficient funding available to meet insurance and operating contract obligations.
- Aioi Nissay Dowa Insurance Company, Limited will supply any shortfall in required capital should additional capital requirements be imposed by the Reserve Bank of New Zealand in terms of the Insurance (Prudential Supervision) Act 2010.

All net cash outflows for financial liabilities in the financial statements will be within 12 months. The Branch maintains a portfolio of highly marketable assets that can easily be liquidated in the event of an unforeseen interruption of cash flow. The net cash inflow for premium debtors will be within 12 months.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed interest rate assets create exposure in respect of their fair value as interest rates move. Financial assets with floating interest rates create exposure in respect of uncertainty in cash flows as interest rates move due to re-pricing. The Branch's exposure to the risk of changes in market interest rates relates primarily to the Branch's term investments.

The following summarises the sensitivity of the Branch's interest-bearing financial assets and financial liabilities to interest rate risks.

		Interest rate risk	
		-1%	+1%
	Carrying amour	Profit/Equity	Profit/Equity
	$	$	$
2022			
Financial assets			
Cash & Cash equivalents	8,470,113	(84,701)	84,701
Total	**8,470,113**	**(84,701)**	**84,701**
2021			
Financial assets			
Cash & Cash equivalents	8,570,963	(85,710)	85,710
Total	**8,570,963**	**(85,710)**	**85,710**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

5. Insurance and Financial Risks (continued)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Branch cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Branch is able to manage the risks. Controls include segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Branch strategic planning and budgeting process.

Fair value of financial instruments

NZ IFRS 7 requires the Branch to classify the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Branch's Investments relate purely to term deposits and are classified as Level 2 within the fair value hierarchy. Fair value of term deposits is determined by discounting future principal and interest cash flows using a discount rate based on the market interest rate on term deposits at balance date with terms to maturity that match as closely as possible the cash flows of term deposits held.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2022

6. Movement in Unearned Premiums

	2022	2021
	$	$
Movement in unearned premium reserves	(714,545)	(2,245,258)
	(714,545)	**(2,245,258)**

7. Claims Expense

	2022	2021
	$	$
Settlements	22,096,339	17,531,181
Reinsurance and other recoveries	(5,348,124)	(4,801,440)
Cost of settling claims	1,258,732	925,683
Movement in outstanding claims reserve	78,922	969,330
	18,085,869	**14,624,754**

8. Acquisition Costs

	2022	2021
	$	$
Gross Acquisition costs	5,371,863	5,087,898
Expenses deferred current year	(3,036,028)	(2,795,071)
Amortisation of previously deferred expenses	3,265,018	2,321,777
Liability adequacy adjustment	(220,078)	100,661
	5,380,775	**4,715,265**

9. Operating Expense

	2022	2021
	$	$
Management fees	5,456,203	5,503,110
Other expenses	305,254	202,516
	5,761,457	**5,705,626**

10. Current Tax Charge

	2022	2021
	$	$
(i) Income Tax Expense		
Current Income Tax Expense/(Benefit)	1,267,935	647,109
Deferred Income Tax	(2,495)	104,337
Income tax (benefit) /expense as reported in Statement of Comprehensive Income	**1,265,440**	**751,446**

(ii) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate:

Accounting profit before tax	4,519,427	2,683,735
At the branch's statutory income tax rate of 28%	1,265,440	751,446
Prior Year Losses brought forward	-	-
Aggregate income tax expense	**1,265,440**	**751,446**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

11. Investments

	2022 $	2021 $
Financial assets at fair value through profit and loss		
Term Deposits with credit institutions	6,777,070	6,789,020
Total investments at fair value through profit and loss	**6,777,070**	**6,789,020**

The term deposits are invested with banking institutions for terms ranging from 186 days to one year.

12. Intangible Assets

Cost	**Software**
At 31/03/21	
Opening Balance	765,543
Additions Software	4,211,879
At 31/03/22	**4,977,422**
Accumulated Armortisation	
At 31/03/21	-
Armortisation	82,957
At 31/03/22	**82,957**
Carrying amount	
At 31/03/21	765,543
At 31/03/22	**4,894,465**

The entity has completed work during the year on the data configuration and data connection in relation to implementation of a new insurance system. WIP $765,543 from prior year and the addition of $4,211,879 was capitalised in relation to this work. Management applied judgement and assessed that control exists and there are future economic benefits from the costs incurred based on the consideration that, the work completed on the data configuration and data connection is hosted on a single tenant cloud environment, and the entity retains control of this. In the event the supplier of the new insurance system ceases to exist, the entity would be able to utilise the existing data configuration and connection to develop a self-managed solution without incurring significant costs.

13. Premium and Other Receivables

	2022 $	2021 $
Customer and third party receivables	10,188,957	8,916,849
GST Receivable	75,970	77,446
Written but not received	232,573	176,883
Total premium receivable	**10,497,500**	**9,171,179**

14. Deferred Acquisition Costs

	2022 $	2021 $
Opening Balance	3,204,882	2,832,249
Current Year Movement	3,036,028	2,795,071
Amortisation of previously deferred expenses	(3,265,018)	(2,321,777)
Liability adequacy adjustment	220,078	(100,661)
Total deferred acquisition costs	**3,195,971**	**3,204,882**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

15. Tax (Payable)/Receivable

	2022	2021
	$	$
(i) Tax Receivable		
At 1 April	(457,138)	133,415
Current Year Tax provision	(1,267,935)	(647,109)
Received from ADMNZ for tax losses utilised	-	(42,663)
Refunds received during the year	(50,157)	(40,573)
Tax Loss for Prior Years Offset	-	85,690
Payments made during the year	541,789	54,102
At 31 March Tax (Payable)/Receivable	**(1,233,441)**	**(457,138)**

16. Deferred Tax Liability

	2022	2021
	$	$
Deferred tax	(2,495)	104,337
Current year tax expense/ (benefit) recognised	1,267,935	647,109
Tax Expense/(Benefit) Note 10	**1,265,440**	**751,446**
At 1 April	897,370	707,360
Amounts recorded in Statement of Comprehensive Income	(2,495)	190,010
At 31 March	**894,875**	**897,370**
Statement of Financial Position		
Deferred acquisition costs	894,875	897,370
Deferred tax asset recognised	-	-
Total Deferred Tax Liability	**894,875**	**897,370**

A deferred tax asset is recognised for a tax carry forward only to the extent that realisation of the related tax benefit is probable.

17. Accounts Payable

	2022	2021
	$	$
Commissions	438,772	533,071
Related Party and other payable	1,077,236	214,678
Total accounts payable	**1,516,008**	**747,749**

18. Reinsurance Payable

	2022	2021
	$	$
Opening Balance	125,340	93,892
Previous Year Adjustment	-	-
Current Year Expense		
- Aioi Nissay Dowa Insurance Co., Ltd - Australia Branch	383,302	245,960
Less paid	(508,642)	(214,512)
	-	**125,340**

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

19. Outstanding Claims Liability

	2022 $	2021 $
Gross outstanding claims liability (including IBNR)	6,068,457	5,142,581
Risk Margin	662,538	683,754
Claims Handling Expense	419,661	356,201
	7,150,656	**6,182,536**

20. Unearned Premium Reserve

	2022 $	2021 $
Opening balance	20,512,089	18,266,831
Movement in unearned premium reserves	714,545	2,245,258
Unearned premium from advanced premium payments	219,318	-
	21,445,952	**20,512,089**

Unearned Premium Reserve aging	Current $	Non-current $	Total $
2022	18,105,990	3,339,962	21,445,952
2021	16,221,658	4,290,431	20,512,089

21. Reconciliation of Net Premium Liabilities

	2022 $	2021 $
Unearned Premium Reserve (refer Note 20)	21,445,952	20,512,089
Less Deferred Acquisition Costs (refer Note 14)	(3,195,971)	(3,204,882)
Total Premium Liability per Actuarial Report	**18,249,981**	**17,307,207**

22. Other current liabilities

	2022 $	2021 $
NRWT	6,007	11,913
Other	147,448	491,510
	153,455	**503,423**

23. Claims Development Table

The following table shows the estimates of cumulative claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with the uninflated cumulative payments and inflated undiscounted outstanding claim reserves to date going back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2022

Gross

Loss Year:	2017	2018	2019	2020	2021	2022	Total	
Same year	13,122,153	14,459,406	16,404,520	20,671,147	19,351,419	24,044,001		
1 year	13,246,616	14,532,157	16,566,233	20,480,231	19,078,194			
2 years	13,268,115	14,518,936	16,577,168	20,552,806				
3 years	13,267,422	14,531,271	16,595,070					
4 years	13,274,578	14,535,094						
5 years	13,277,386							
Estimate of cumulative	13,277,386	14,535,094	16,595,070	20,552,806	19,078,194	24,044,001		
Cumulative payments	13,277,386	14,535,094	16,588,300	20,518,249	19,000,934	18,063,564		
Outstanding Claims	-	-	6,771	34,557	77,260	5,980,437	6,099,024	
Effect of Discounting	-	-	(53)	(226)	(693)	(29,595)	(30,567)	
Present value of case e:	-	-	6,541	32,921	56,274	5,804,685	5,900,421	
								@ 80% PoS
						Case Estimates	5,900,421	5,900,421
						IBNR adjustment	198,603	198,603
						Effect of Discounting	(30,567)	(30,567)
						CHE & RM	1,412,120	1,658,040
						Recoveries	(3,511,925)	(3,626,277)
						Total Net Provision	3,968,652	4,100,220

24. Liability Adequacy Test

	Domestic Insurance portfolio		Commercial Insurance portfol	
	2022	2021	2022	2021
	$	$	$	$
Unearned Premium Reserve	21,101,568	20,407,102	144,183	103,987
Less Deferred Acquisition Costs	(3,328,252)	(3,536,888)	-	0
Total Net Unearned Premium reserve	**17,773,316**	**16,870,214**	**144,183**	**103,987**
Gross discounted premium liabilities	22,952,930	22,339,239	236,946	158,450
Discounted third party recoveries	-5,036,202	-5,105,535	-111,767	-74,741
Total discounted premium liability	**17,916,728**	**17,233,703**	**125,179**	**83,709**
Deficiency	**(143,412)**	**(363,490)**	**19,004**	**20,277**

The liability adequacy test is performed at the level of a portfolio of contracts that are subject to broadly similar risk and are managed together as a single portfolio. The liability adequacy test ("LAT") has resulted in an increase of deferred acquisition costs $220,078 (2021: decrease of $100,661). There is no adjustment in the unexpired risk liability (2021: nil). The Total discounted premium liability includes a 80% probability of adequacy risk margin.

25. Capital Management

Management aims to maintain a capital structure that ensures the lowest cost of capital availability to the entity. The Branch is not subject to any externally imposed capital requirements as it received an exemption due to it being a branch of an overseas insurer that is in an approved overseas jurisdiction (Japan). If additional capital requirements are imposed by the Reserve Bank of New Zealand in terms of the Insurance (Prudential Supervision) Act 2010, Aioi Nissay Dowa Insurance Company, Limited will meet these capitalization requirements through additional funding to the Branch.

26. Solvency

The solvency of Aioi Nissay Dowa Insurance Company, Limited at 31 March 2022, calculated in accordance with the Japanese equivalent of the Solvency Standard for Non-Life Insurance Business, was:

	2022	2021
	$	$
Actual Solvency Capital	16,538,261	18,600,000
Minimum Solvency Capital	2,179,845	2,351,000
Solvency Margin	14,358,416	16,249,000
Solvency Ratio	758.7%	790.9%

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

27. Capital commitments

There are no capital commitments at balance date (2022: Nil).

28. Contingencies

As at 31 March 2022, the Branch had no contingent liabilities or contingent assets (2020: Nil).

29. Credit rating

The Branch has received an "A+ Stable" credit rating from A.M. Best Company, confirmed on 16 June 2022. The credit rating is an indication of the Branch's current and future claims paying ability.

30. Auditor's remuneration

Amounts paid or payable by Aioi Nissay Dowa Management New Zealand Ltd to Ernst & Young on behalf of the Branch.

	2022	2021
	$	$
Audit of Aioi Nissay Dowa Insurance Company, Limited New Zealand Branch	74,847	56,288
Tax compliance	12,360	12,360
	87,207	68,648

31. Related party information

The Branch paid fees of $5,399,003 (2021: $5,711,410) to Aioi Nissay Dowa Management New Zealand Limited, a wholly owned subsidiary of Aioi Nissay Dowa Insurance Company, Limited, as disclosed in Note 9. The outstanding payable is $284,460as at 31 March 2022 (2021, nil).

The Branch received from Aioi Nissay Dowa Management New Zealand Ltd (ADMNZ) $nil for tax losses transferred (2021: $42,668 of tax benefits of losses was utilised by ADMNZ for offsetting its current year taxable income). ADMNZ paid $516,991 (2021: nil) of tax expense on behalf of the Branch for the Mar 2021 tax year provisional tax expense, $516,991 is payable to ADMNZ as at March 31, 2022 (2021: nil).

Aioi Nissay Dowa Insurance Company Limited (ADIC), which operates an insurance business in New Zealand as a branch, additionally operates an insurance business in Australia. This was conducted by ADIC through a wholly owned subsidiary, Aioi Nissay Dowa Insurance Company Australia Pty Ltd (ADICA).

The Branch paid reinsurance premiums as detailed in note 17 to ADICA which is a related party of Aioi Nissay Dowa Insurance Company, Limited, as disclosed below.

The reinsurance premiums expense to ADICA amounted to $336,301 (2021: $251,967). The outstanding payable to ADICA as at 31 March 2022 is nil (2021: $125,340).

The balances with related parties are unsecured, interest-free and payable on demand.

32. Subsequent Events

There are no other events subsequent to balance date which have materially affected or may materially affect the financial statements of that date.

Independent auditor's report to the directors of Aioi Nissay Dowa Insurance Company, Limited

Opinion

We have audited the financial statements of the New Zealand branch (the "Branch") of Aioi Nissay Dowa Insurance Company, Limited ("the Company") on pages 5 to 28, which comprise the statement of financial position of the Branch as at 31 March 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Branch, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 5 to 28 present fairly, in all material respects, the financial position of the Branch as at 31 March 2022 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

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

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

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

Ernst & Young provides taxation compliance services to the Branch. Partners and employees of our firm may deal with the Branch on normal terms within the ordinary course of trading activities of the business of the Branch. We have no other relationship with, or interest in, the Branch.

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material

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misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of outstanding claims liability

Why significant	How our audit addressed the key audit matter
The outstanding claims liability has a recorded balance at 31 March 2022 of $4,100,220. The estimation of the value of outstanding claims involves significant judgement and is based on an actuarial model of the expected cost of claims incurred on, or prior to, balance date. Assumptions included in the model can generally be categorised as either economic assumptions such as inflation and discount rates or non-economic assumptions relating to claims development and cost. Non-economic assumptions are often based on historical data relating to the volume, amount and pattern of claims settlement. Disclosures relating to the outstanding claims liability, including key assumptions, are included in Notes 3, 19, and 23 of the financial statements.	Our audit procedures over the valuation of the outstanding claims liability included: ► evaluating and testing key controls over the claims assessment and settlement process; ► on a sample basis, validating the costs associated with claims recorded in the year; ► comparing the claims data used by the appointed actuary to the Branch's claims system on a sample basis; ► using our actuarial specialists to review the outstanding claims liability valuation report prepared by the appointed actuary and evaluate the appropriateness of the methodologies and assumptions used in the valuation; ► evaluating the objectivity and expertise of the appointed actuary; and ► considering the adequacy of disclosures in relation to the outstanding claims liability taking into account the requirements of NZ IFRS 4 *Insurance Contracts*.

Information other than the financial statements and auditor's report

The directors of Aioi Nissay Dowa Insurance Company, Limited are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

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

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

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

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of Aioi Nissay Dowa Insurance Company, Limited are responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of Aioi Nissay Dowa Insurance Company, Limited either intend to liquidate the Branch or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/. This description forms part of our auditor's report.

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

Ernst + Young

Chartered Accountants
Auckland
25 July 2022