Beneficial Insurance Limited

Annual Report 2022

for the year ended 31 March 2022

Contents

Beneficial Insurance Limited

Statement of Comprehensive Income

for the year ended 31 March 2022

$ thousands	note	2022	2021
Gross written premium		17,784	15,722
Unearned premium movement		(896)	(1,010)
Gross earned premium	3	16,888	14,712
Claims expense	5	(5,870)	(4,829)
Acquisition costs	12	(295)	(82)
Underwriting expenses	6	(4,876)	(4,642)
Underwriting profit		5,847	5,159
Investment and other income	4	282	712
Profit before tax		6,129	5,871
Tax expense	8	(1,716)	(1,864)
Profit after tax		4,413	4,007
Other comprehensive income		-	-
Total comprehensive income		4,413	4,007

The above statement should be read in conjunction with the accompanying notes

Beneficial Insurance Limited

Statement of Financial Position

as at 31 March 2022

$ thousands	note	March 2022	March 2021
Assets			
Cash and cash equivalents	9	216	170
Short term investments	20.2	15,550	15,800
Insurance premiums receivable	11	8,306	7,257
Other assets		148	157
Deferred acquisition costs	12	190	166
Deferred tax assets	8	34	36
Property and equipment	13	142	130
Right-of-use assets	23.1	406	787
Total assets		24,992	24,503
Liabilities			
Payables	14	459	432
Current tax liability		597	1,494
Lease liabilities	23.2	453	857
Provisions	15	213	173
Outstanding claims liabilities	16	1,227	983
Unearned premium liabilities	16	9,666	8,770
Total liabilities		12,615	12,709
Net Assets		12,377	11,794
Equity			
Retained earnings		11,702	11,119
Contributed equity	18	675	675
Total equity		12,377	11,794

The above statement should be read in conjunction with the accompanying notes

The financial statements were approved for issue by the Board on 17 June 2022.

Stephen R Tietjens
Chairman

Grant W McCurrach
Director

Beneficial Insurance Limited

Statement of Changes in Equity

for the year ended 31 March 2022

		Attributed to the owners of the company		
$ thousands	note	Contributed Equity	Retained earnings	Total Equity
Year ended 31 March 2022				
At the beginning of the year		675	11,119	11,794
Comprehensive income				
Profit for the year		-	4,413	4,413
Total comprehensive income		-	4,413	4,413
Transactions with shareholder, recorded directly in equity				
Dividends	17	-	(3,830)	(3,830)
Total transactions with the shareholder		-	(3,830)	(3,830)
At the end of the year		675	11,702	12,377
Year ended 31 March 2021				
At the beginning of the year		675	9,562	10,237
Comprehensive income				
Profit for the year		-	4,007	4,007
Total comprehensive income		-	4,007	4,007
Transactions with shareholder, recorded directly in equity				
Dividends	17	-	(2,450)	(2,450)
At the end of the year		675	11,119	11,794

The above statement should be read in conjunction with the accompanying notes

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Beneficial Insurance Limited

Statement of Cash Flows

for the year ended 31 March 2022

$ thousands	note	March 2022	March 2021
Cash flows from operating activities			
Premiums received		16,553	14,466
Interest received		186	295
Other income received		-	303
Claims paid	16	(5,626)	(4,711)
Payments to suppliers and employees		(4,331)	(4,159)
Interest paid		(44)	(68)
Income tax paid		(2,612)	(108)
Net cash inflow from operating activities	10	4,126	6,018
Cash Flows from Investing Activities			
Purchase of property and equipment		(74)	(26)
Proceeds from sale of interest-bearing investments		27,950	22,582
Payments for purchase of interest-bearing investments		(27,700)	(25,750)
Net cash inflow / (outflow) from investing activities		176	(3,194)
Cash Flows from Financing Activities			
Principal element of lease liabilities		(426)	(390)
Dividends paid	17	(3,830)	(2,450)
Net cash outflow from financing activities		(4,256)	(2,840)
Net increase (decrease) in cash and cash equivalents		46	(16)
Cash and cash equivalents at beginning of the year		170	186
Cash and cash equivalents at the end of the year		216	170

The above statement should be read in conjunction with the accompanying notes

Notes to the Financial statements

for the year ended 31 March 2022

1. Summary of general accounting policies

Entity reporting

The reporting entity is Beneficial Insurance Limited (the "Company"). It is for-profit, incorporated and domiciled in New Zealand. Its registered office is level 3, 445 Karangahape Road, Newton, Auckland.

The Company's primary activity is providing insurance by way of Pet Insurance, Consumer Credit Indemnity ("CCI"), Guaranteed Finance Protection ("GFP") and Mechanical Breakdown Insurance ("MBI"). The Company's parent entity is Beneficial Holdings Limited, a company incorporated in New Zealand.

Statutory base

The Company is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements also comply, where relevant, with the Insurance (Prudential Supervision) Act 2010 and associated regulations.

Basis of preparation

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Company is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements 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 also comply with International Financial Reporting Standards (IFRS).

The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013, Companies Act 1993, Financial Reporting Act 2013 and the Insurance (Prudential Supervision) Act 2010. The financial statements have been prepared on the historical cost basis unless the application of fair value measurement are required by the relevant accounting standards.

The preparation of financial statements in accordance with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the accompanying notes.

Presentation of financial statements

The financial statements are presented in accordance with NZ IAS 1 *Presentation of Financial Statements*. The Company has elected to present the Statement of Comprehensive Income in one statement. The Statement of Comprehensive Income discloses the analysis of expenses under the function of expense method. This clarifies expenses according to their function as part of cost of insurance sales, operating or as administration activities.

The statement of financial position discloses assets and liabilities using the liquidity format of presentation.

Significant judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

The key areas of significant estimates and judgements and the methodologies used to determine key assumptions are set out in note 16 relating to the outstanding claims liability.

Functional and presentation currency

The financial statements are presented in New Zealand dollars ($), which is the Company's functional and presentation currency. All financial information is rounded to the nearest thousand dollars unless otherwise stated.

Comparatives

The financial statements are for the year ended 31 March 2022. Comparatives are for the year ended 31 March 2021.

Changes in comparatives

Comparative information has been restated to achieve consistency with the current year presentation. Material changes are set out below.

Statement of cash flows

Three changes have been made to the presentation of the consolidated statement of cash flows. First, cash flows related to the sale and purchase of interest-bearing investments are now shown on a gross basis (previously they were disclosed on a net basis). Second, claims paid are disclosed on a separate line (previously they were disclosed within payments to suppliers and employees). Third, interest received is reported gross of RWT (previously it was disclosed on a net basis) and the corresponding RWT payment is disclosed within income tax paid. The totals in the statement of cash flows have not been impacted.

2. Impact of amendments to IFRS

(i) New or amended accounting standards adopted during the financial year:

None

(ii) Standards, amendments and interpretations to existing standards that are relevant to the Company, not yet effective and have not been early adopted by the Company.

At the reporting date, the following relevant Standards and Interpretations were in issue but not yet effective and have not been applied in preparing these financial statements. The Company is currently assessing the impact of these standards on the financial statements, including the impact on presentation and disclosure:

NZ IFRS 17 Insurance Contracts is effective for accounting periods beginning on or after 1 January 2023. The Company will apply the standard for the year ending 31 March 2024. The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. An initial assessment has been completed on Company's contracts, and it is expected that the majority of Company'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.

Other Standards and Interpretations in issue at the reporting date but not yet effective are not expected to have an impact on the financial statements of the Company in the period of initial application.

3. Gross earned premium

$ thousands	2022	2021
Pet insurance	15,180	13,260
Autolife	1,515	1,232
Consumer credit insurance	140	149
Guaranteed asset protection	53	71
Gross earned premium	16,888	14,712

Gross earned premium comprises supplying pet insurance protection, consumer credit indemnity insurance, finance protection insurance and mechanical breakdown Insurance.

Gross earned premium is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Gross written premium is recognised from the attachment date for all indemnity insurance policies issued over the life of the policy.

The portion of premiums not earned in the statement of comprehensive income at the reporting date is recognised in the statement of financial position as unearned premium liabilities.

4. Investment and other income

$ thousands	2022	2021
Interest income	185	295
Other income	97	417
Total	282	712

Interest income comprises interest received from short term bank deposits. This is recognised on an accrual basis using the effective interest rate method.

5. Claims expense

$ thousands	2022	2021
Claims expense	5,683	4,726
IBNR allowance	187	103
Total claims expense	5,870	4,829

Insurance claims which arise during the reporting period and are settled during the same period are expensed in the Statement of Comprehensive Income.
Insurance claims which arise during the reporting period but which are not settled at the reporting date are recognised based on the present value of expected future payments.

Insurance claims incurred but not reported (IBNR) are recognised by way of an estimation made by the Company's registered Actuary and is based upon historical claims data and risk margin (refer to note 16).

6. Underwriting expenses

$ thousands	note	2022	2021
Employee benefits expense		2,584	2,581
Depreciation		460	459
Finance costs		44	68
Remuneration of auditor	7	117	86
Non audit fees	7	6	-
Other operating expenses		1,665	1,448
Total		4,876	4,642

Employee benefits expense

Breakdown of employee benefits expense as follows:

$ thousands	2022	2021
Wages and salaries	2,510	2,536
Other employee benefits	74	45
Total employee benefits	2,584	2,581

Short term employee benefits, including holiday entitlement, are current liabilities included in payables, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

7. Remuneration of auditor

$ thousands	2022	2021
Audit of the financial statements	104	78
Other assurance services - solvency return	13	8
Non-audit services	6	-
Total	123	86

Non-audit services include regulatory advisory services.

8. Tax

Income tax expense comprises current and deferred tax.

$ thousands	2022	2021
Current tax	1,715	1,602
Deferred tax	2	42
Adjustment to prior years	(1)	220
Income tax expense	1,716	1,864

The relationship between the expected tax expense based on the domestic effective tax rate of the Company at 28% (2021: 28%) and the reported tax expense in the Statement of Comprehensive Income can be reconciled as follows:

$ thousands	2022	2021
Profit before tax	6,129	5,871
Tax at statutory tax rate 28% (2020: 28%)	1,716	1,644
Adjustment to prior periods	(1)	220
Other	1	-
Income tax expense	1,716	1,864

Current tax is the tax payable to Inland Revenue on taxable profit for the period using existing tax rates that have been enacted or substantially enacted by the end of the reporting period. Deferred tax is calculated using the balance sheet method on temporary differences between the carrying amount of assets and liabilities and their tax base.

Deferred tax asset

$ thousands	March 2022	March 2021
Balance at beginning of the period	36	60
Movement in deferred tax	(2)	(42)
Adjustment to prior periods	-	18
Balance at end of the period	34	36
Comprising		
Employee benefits	43	36
Deferred acquisition costs	(53)	(46)
Lease liability net of Right-of-use assets	13	20
Other provisions	31	26
Balance at end of the period	34	36

Deferred tax assets and liabilities are carried at the tax rates expected to apply when the assets are recovered or liabilities settled and they are not discounted. Deferred tax assets and liabilities are offset only when the company has a legally enforceable right and intention to set off current tax assets and liabilities from the same tax authority. Deferred tax assets and liabilities are carried on the basis that the Company expects future profits to exceed and reversal of existing temporary differences.

Imputation credit account

$ thousands	March 2022	March 2021
Balance at end of the period	1,835	1,612

GST

Receivables and payables are reported inclusive of GST (where applicable). The net GST payable to or recoverable from the tax authorities as at balance date is included as a payable or receivable in the balance sheet.

9. Cash and cash equivalents

$ thousands	March 2022	March 2021
Cash on hand	1	1
Cash at bank	215	169
Cash at bank and in hand	216	170

Cash and cash equivalents are on-call funds with the Company's trading bank, Westpac, current / cheque accounts, and cash on hand.

10. Reconciliation of profit after tax to cash inflow from operating activities

$ thousands	March 2022	March 2021
Net profit after tax	4,413	4,007
Add non-cash items		
Depreciation	56	66
Depreciation on Right-of-use assets	404	393
Add movements in other working capital items		
Insurance receivables	(1,049)	(1,268)
Deferred tax asset	2	24
Other assets	9	6
Deferred acquisition costs	(24)	(166)
Payables and accruals	32	56
Current tax liabilities	(897)	1,732
Provisions	40	40
Outstanding claims liabilities	244	118
Unearned premium liabilities	896	1,010
Cash Inflow from operating activities	4,126	6,018

11. Insurance premiums receivable

Aging of premiums receivable

$ thousands	not past due	0-3 mnths	3-6 mnths	6-12 mnths	over 12 mnths	Total
March 2022						
Premiums receivable	8,210	88	8	-	-	8,306
March 2021						
Premiums receivable	7,177	77	3	-	-	7,257

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method less any allowance for credit losses and impairment.

Receivables are stated inclusive of GST where applicable.

Insurance receivables are receivable within 12 months from the reporting date.

12. Deferred acquisition costs

$ thousands	March 2022	March 2021
Balance at the beginning of the period	166	-
Acquisition costs deferred	319	248
Amortised to statement of comprehensive income	(295)	(82)
Balance at the end of the period	190	166
Amortised within 12 months	160	118
Amortised in greater than 12 months	30	48
Total	190	166

Acquisition costs incurred in obtaining new insurance business mainly relates to commission paid to internal and external parities. These costs would have been deferred and recognised as assets where they can be reliability measured and where it is probable that they will give rise to premium revenue that will be recognised in subsequent periods.

13. Property and equipment

$ thousands	Furniture & fittings	Leasehold improvement	Office & computers	Motor vehicles	Total
March 2022					
Cost					
Opening balance	24	47	244	53	368
Additions	-	-	48	26	74
Disposals	-	-	-	(23)	(23)
Closing balance	24	47	292	56	419
Accumulated depreciation					
Opening balance	(9)	(12)	(187)	(30)	(238)
Depreciation	(2)	(4)	(37)	(13)	(56)
Eliminated on Disposals	-	-	(1)	18	17
Closing balance	(11)	(16)	(225)	(25)	(277)
Closing balance					
At cost	24	47	292	56	419
Accumulated depreciation	(11)	(16)	(225)	(25)	(277)
Net book value	13	31	67	31	142
March 2021					
Cost					
Opening balance	22	30	284	72	408
Additions	2	17	7	-	26
Disposals	-	-	(47)	(19)	(66)
Closing balance	24	47	244	53	368
Accumulated depreciation					
Opening balance	(7)	(8)	(182)	(36)	(233)
Depreciation	(2)	(4)	(49)	(11)	(66)
Eliminated on Disposals	-	-	44	17	61
Closing balance	(9)	(12)	(187)	(30)	(238)
Closing balance					
At cost	24	47	244	53	368
Accumulated depreciation	(9)	(12)	(187)	(30)	(238)
Net book value	15	35	57	23	130

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is provided on leasehold improvements, computers and software, office furniture and equipment and motor vehicles. Depreciation is recognised in the Statement of Comprehensive Income to write off the cost of an item of property, plant and equipment, less any residual value, and is calculated using the diminishing value method to allocate the cost of assets over their expected useful life, at the following rates.

Asset class	Method	Depreciation %
Leasehold Improvements	diminishing value	10%
Furniture and Fittings	diminishing value	13% - 25%
Office and computers	diminishing value	13% - 50%
Motor Vehicles	diminishing value	30%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

There were no impairment losses for the Company for the year ended 31 March 2022 (2021: $nil).

14. Payables

$ thousands	March 2022	March 2021
GST payable	230	210
Other payables	229	222
Payables	459	432

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

The payables are payable within 12 months from the reporting date.

15. Provisions

$ thousands	March 2022	March 2021
Employee entitlements	213	173

Employee benefits comprise holiday pay entitlements in accordance with individual employment contracts. The provisions are payable within 12 months from the reporting date.

16. Insurance liabilities

$ thousands	March 2022	March 2021
Unearned premiums		
Balance at beginning of the year	8,770	7,760
Net premiums written	17,784	15,722
Premiums earned during the year	(16,888)	(14,712)
Unearned premiums at end of the year	9,666	8,770
Outstanding claims	1,227	983
Total insurance liabilities	10,893	9,753

All insurance liabilities are measured at amortised cost using the effective interest method. The majority of unearned premiums will be earned in the 12 months after 31 March 2022 and therefore are current liabilities. The outstanding claims are current liabilities.

Liability adequacy test

The liability adequacy test (LAT) which was performed as at 31 March 2022 identified a surplus for the company (31 March 2021: a surplus).

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed in accordance with NZ GAAP to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in profit or loss within the Statement of Comprehensive Income by setting up a provision for premium deficiency.

The LAT has identified a surplus for other portfolios of contracts that are subject to broadly similar risks that are managed together as a single portfolio. The process of determining the overall risk margin, including the way in which diversification of risk has been allowed for. As with outstanding claims, the overall risk margin is intended to achieve a 90% probability of adequacy (2021: 90%).

The Actuary has determined from his review that the full unearned premium provision net of deferred acquisition costs is recoverable and the provision meets the LAT prescribed by NZIFRS 4 "Insurance Contracts". A further provision at 31 March 2022 is therefore not required (2021: $nil).

Unearned premiums

Unearned premiums represent that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. It is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. Unearned premiums are calculated on a daily pro rata basis, and the proportion attributable to subsequent periods is deferred as unearned premiums.

Outstanding claims liability

Outstanding claims liability comprises claims received but not settled at the reporting date. Outstanding claims liability also includes a provision for the cost of claims incurred but not yet reported to the company at the reporting date.

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Reconciliation of movement in outstanding claims liabilities

$ thousands	2022	2021
Balance brought forward	983	865
Claims expense	5,870	4,829
Claims paid	(5,626)	(4,711)
Outstanding claims liabilities	1,227	983

Significant estimates and judgements are made by the Company's approved actuary to arrive at certain key liability amounts disclosed in the financial statements. These estimates are determined by a qualified and experienced practitioner with reference to historical data and reasoned expectations of future events. These estimates are then reviewed by the Directors. The key areas in which critical estimates and judgements are applied are described below.

The Company's process for establishing the outstanding claims provision involves consultation with the Appointed Actuary. This process includes a bi-annual and annual review and calculation of provision for claims by Peter Davies who is a Fellow of the New Zealand Society of Actuaries.

Actuarial process used to determine the outstanding claims provision is as follows:

- Assumed loss ratios - Assumed loss ratios were determined from a consideration of observed historical loss ratios.
- Risk margin - The risk margin was determined for each portfolio. The risk margin is determined after assessing the uncertainty in the central estimate of the outstanding claims estimate for each portfolio. The risk margin results in an overall probability of sufficiency for the outstanding claims liabilities of 90% (2021: 90%).
- Claims handling costs allowance - This allowance is determined after analysing claims related expenses incurred, adjusted for the expected pattern of payment of claim handling expenses during the life of the claim.
- 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 claim settlement patterns.
- Inflation and discounting - since the term of the liabilities is less than 12 months no allowance for inflation or discounting has been incorporated.

The Company takes all reasonable steps to ensure it has appropriate information regarding its claims exposure. Given the uncertainty in establishing claims provisions it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the costs of settling claims already notified to the Company, where more information about the claim event is generally available.

The key assumptions used in determining outstanding claims liabilities are as follows:

	March 2022	March 2021
Claims handling expense ratio	12%	15%
Risk margin - Pet insurance	7%	6%
Risk margin - MBI, CCI & GFP	50%	50%
Probability of sufficiency	90%	90%

The outstanding claims liabilities as at 31 March 2022 was $1,227,022 (2021: $983,188).
The outstanding claims liabilities includes a risk margin as at 31 March 2022 of $80,858 (2021: $58,645).

Sensitivity analysis

The impact on profit or loss of the change in the assumption used in the calculation of the outstanding claims liabilities is summarised below.

		Impact on profit or loss	
$ thousands	Movement in assumption	2022	2021
Expected future claims development	+10%	(229)	(193)
	-10%	188	158

17. Distributions to shareholder

Directors declared and paid the following dividends to the shareholder; Beneficial Holdings Limited. The two independent directors signed the Solvency certificates.

$ thousands		payment date	value
Dividend	FY2021 final	27/05/2021	330
Dividend	FY2022 interim	24/08/2021	3,000
Dividend	FY2022 final	24/03/2022	500
Total dividends to shareholder			3,830

The dividend paid in the prior year was $2,450,000

18. Contributed equity

The Company does not have authorised capital or par value in respect of the one share issued. The share is fully paid. The share entitles the holder to dividends and the residual assets of the Company. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Contributed equity also includes capital contributions of $675,000 by the shareholder in March 2016 to meet the cash flows relating to the settlement of an outstanding tax liability at the time.

Retained earnings include all current and prior period retained profits and losses. All transactions with the owner of the company including other capital commitments are recorded separately within equity.

19. Insurance business disclosures

19.1 Solvency Standard

Under Section 55 of the Insurance Prudential Supervision Act 2010, "IPSA", the Company is regulated by a Solvency Standard. Under this standard, Beneficial is required to maintain a Solvency Margin whereby the company's Actual Solvency Capital must be in excess of the minimum Solvency Capital as defined under the standard. Beneficial's Appointed Actuary performs this calculation based on the Financial Statements.

$ thousands	March 2022	March 2021
Actual solvency capital	12,343	11,428
Minimum solvency capital requirement	3,000	3,000
Solvency margin	9,343	8,428
Solvency ratio	411%	381%

19.2 Credit rating

On 30 September 2021 credit rating agency, AM Best reaffirmed the Company's Financial Strength Rating at B++ (Outlook Stable).

20. Financial instruments

$ thousands	March 2022	March 2021
Financial assets - amortised cost		
Cash and cash equivalents	216	170
Short term investments	15,550	15,800
Total financial assets - amortised cost	15,766	15,970
Financial Liabilities - amortised cost		
Payables	229	222
Total financial liabilities - amortised cost	229	222

The carrying amounts approximate fair value.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.
For financial instruments traded in active markets, the quoted market prices or dealer price quotations are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing as at the reporting date. Financial assets and financial liabilities are measured subsequently as described below.

20.1 Financial assets – under NZ IFRS 9

The Company classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Measured at amortised cost

The classification depends on the company's business model for managing the financial assets and the contractual terms of the cash flows.

Given all of the Company's financial assets have been held with a business model to collect contractual cash flows that represent solely payments of principal and interest all were measured at amortised cost.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The Company applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected losses for all trade receivables. Given the low risk of default on other financial assets (primarily short-term deposits with financial institutions with a strong credit rating), other expected credit losses have been assessed to be immaterial.

Receivables are considered for impairment when there is objective evidence that the Company was not able to collect all expected amounts, and having regard to the Company's credit risk assessments.

20.2 Short term investments

Deposits are classified as at amortised cost under NZ IFRS 9.

$ thousands	March 2022	March 2021
Bank deposits		
Maturity from balance date		
0 - 3 months	3,000	7,500
4 - 6 months	2,500	7,050
7 - 9 months	2,150	1,250
10 - 12 months	7,900	-
Total short term investments	15,550	15,800

All short-term investments are bank deposits with Westpac, Kiwibank, Bank of New Zealand, ASB, and ANZ with maturity dates within 12 months of balance date.

21. Risk management

The financial condition and operational results of the company are impacted by a number of risks:

- Financial – market risk, credit risk, financing and liquidity risk
- Non-financial – insurance risk, compliance risk, operational risk

The Board's objective is to satisfactorily manage these risks in line with the Board approved Risk Management Policy. Procedures are in place to control, mitigate, and report on risks faced by the Company in a timely matter to the Board. Managers are responsible for understanding and managing their operational and compliance risks.

The Board is actively involved in reviewing the effectiveness and efficiency of management processes, risk management and financial controls to ensure adequate oversight and compliance. Assets are regularly monitored to ensure there are no material asset and liability mismatching issues and exposure to risks including liquidity and credit risks are maintained within acceptable limits.

21.1 Market risk

Market risk is the risk arising from adverse movements in equity market prices, exchange rates and interest rates or in related derivatives.

- Interest rate risk is the risk that the value of assets or liabilities will change because of changes in interest rates. The Company manages its exposure by holding predominately short-term deposits with the major NZ trading banks – refer note 21.4. An investment sub-committee of the Board regularly establishes and monitors concentration and maturities. Interest rates on the term deposits are fixed at inception and paid at maturity.
- The Company's assets and liabilities are denominated in NZ dollars, with only domestic operations, therefore is not exposed to exchange rate risk.
- Price risk arises from changes in the prices of equity instruments. The Company does not invest in equities so is not currently exposed to this risk.

21.2 Credit risk

Credit risk is the risk of loss arising from a party to a contract or transaction not being able to meet its obligations or defaulting on its commitments.

The Company was exposed to credit risk through its insurance premium receivables, bank balances and term deposits.

There are otherwise very limited credit or other counterparty exposures. Arrears of insurance premiums are closely monitored and reported on. Payment default will also result in the termination of the insurance contract with the policyholders, eliminating both the credit risk and insurance risk for the unpaid balance.

Cash deposits and investments are limited to banks with a minimum Standard and Poor's (S&P) A credit rating. The following table provides information regarding the S&P credit rating for cash deposits and investments.

$ thousands Standard and Poor's Credit Rating	March 2022	March 2021
AA	11,366	10,020
A	4,400	5,950
Total	15,766	15,970

Concentration of risk

The Company's exposure is principally through the term deposits held with five major trading banks in New Zealand.

21.3 Insurance risk

Insurance risk is the risk that the present value of actual claims payable will exceed the present value of actual premium revenue. This risk is inherent in Beneficial's operations and arises through underwriting, claims management and provisioning risks. Beneficial is exposed to insurance risk as the price for an insurance policy is set before the losses are known.

Underwriting risk

Underwriting risk refers to the risk that claims arising are higher or lower than assumed in pricing due to bad experience, weakness in controls over underwriting or portfolio management, or claims management issues. To mitigate this risk Beneficial uses management information systems to price products based on historical claims data.

Claims management and provisioning risk

Initial claims determination is managed by experienced claims staff. Provisioning risk is managed through the actuarial valuation of insurance liabilities and monitoring of the probability of sufficiency of the outstanding claims provision. The valuation of the central estimate is performed by Beneficial's appointed actuary. The outstanding claims provision is established using actuarial valuation models and include a risk margin for uncertainty.

21.4 Financing and liquidity risk

Maturity analysis

$ thousands	0-6 mnths	7-12 mnths	13-24 mnths	25-60 mnths	over 60 mnths	Total
March 2022						
Financial assets						
Cash and equivalents	216	-	-	-	-	216
Short term investments	5,570	10,102	-	-	-	15,672
	5,786	10,102	-	-	-	15,888
Financial liabilities						
Payables	229	-	-	-	-	229
Lease liabilities	236	237	-	-	-	473
	465	237	-	-	-	702
March 2021						
Financial assets						
Cash and equivalents	170	-	-	-	-	170
Short term investments	13,970	1,952	-	-	-	15,922
	14,140	1,952	-	-	-	16,092
Financial liabilities						
Payables	222	-	-	-	-	222
Lease liabilities	229	229	458	-	-	916
	451	229	458	-	-	1,138

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

The Company mitigates these risks by actively managing its operational risks. These include:

- The maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- The use of actuarial models based on historical data to calculate premiums and monitor claim patterns.
- The management of assets and liabilities is closely monitored to match the expected pattern of liability payments with the maturity dates of assets.
- Terms and conditions of insurance contracts. The majority of direct insurance contracts written are entered into on a standard form. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.
- Active claims management by analysing experience, trends and other relevant factors.

22. Capital risk management

The Company's capital includes its share capital and retained earnings.

The Company's policy is to maintain a strong capital base to ensure it continues to operate as a going concern, to maintain policyholder, supplier and market confidence and to sustain future development of the business. The Board regularly monitors current and future capital requirements and costs.

The Company also manages capital in accordance with the requirements of the Act and the solvency standard for non-life insurance businesses issued by the Reserve Bank of New Zealand.

Outside the solvency requirements detailed in note 19.1, there are no externally imposed financial covenants arrangements that must be observed.

There has been no change in the Company's management of capital during the years ended 31 March 2021 and 31 March 2022.

23. Right of use assets and lease liabilities

Leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease liability is the net present value of the lease payments. The right of use asset is measured at cost comprising the amount of the initial measurement of the lease liability.

The Company's lease consists of an office premise lease and the agreement will mature on 31 March 2023.

On 1 April 2019 the Company exercised its option to renew its lease arrangements with Executive Trustees Limited, a related party, and also expanded its lease space. The annual increase from these changes was $189,119. There was no change to the term of the lease.

On 1 June 2021 the monthly rent amount, excluding GST, was increased to $39,397 from $38,131.

23.1 Right-of-use assets

$ thousands	March 2022	March 2021
Cost		
Opening balance	787	1,180
Additions	23	-
Depreciation for the year	(404)	(393)
Closing balance	406	787

23.2 Lease liabilities

The maturity of the contractual undiscounted cashflows is as follows:

$ thousands	March 2022	March 2021
Less than one year	473	458
One to five years	-	458
More than five years	-	-
Total undiscounted lease liabilities	473	916

The maturity of the lease liabilities included in the balance sheet is as follows:

$ thousands	March 2022	March 2021
Less than one year - current	453	415
One to five years	-	442
More than five years	-	-
Total lease liabilities	453	857

23.3 Amounts recognised in the statement of comprehensive income

$ thousands	March 2022	March 2021
Depreciation on right to use assets	404	393
Interest on lease liabilities	44	68

23.4 Amounts recognised in the statement of cash flows

$ thousands	March 2022	March 2021
Principal element of lease liabilities	426	390
Interest paid on lease liabilities	44	68
Total cash outflow for lease	470	458

23.5 Sublease

Within the shared services agreement (refer to note 24) the Company subleases part of the office premises to Broadlands Finance Limited. The leased payments are payable monthly and are reviewed on annual basis depending on the office space leased by Broadlands Finance Limited. The Company has elected to classify the sublease as an operating lease, on the basis that it does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset at the end of the lease term. Shared services rent recharge income for the year ended 31 March 2022 was $93,875 (2021: $114,183) and is included in "Other income" in the statement of comprehensive income.

$ thousands	March 2022	March 2021
Within one year	90	114
one to two years	90	114
two to three years	-	-
Total	180	228

24. Transactions with related parties

$ thousands	Transaction	March 2022 Transaction value	March 2022 Receivable (Payable)	March 2021 Transaction value	March 2021 Receivable (Payable)
Goods and services					
Broadlands Finance Limited	Shared services	311	28	369	33
	Insurance commission	(35)	1	(22)	2
Executive Trustees Limited	Rent	(470)	-	(458)	-
Penrose Enterprises Limited	Insurance commission	(1)	-	(13)	-
Funds collected and remitted from related parties					
Broadlands Finance Limited	Insurance premiums	118	-	125	-
Penrose Enterprises Limited	Insurance premiums	7	-	66	-

The parent company of Beneficial Insurance Limited is Beneficial Holdings Limited, a company incorporated in New Zealand.

Broadlands Finance Limited, Executive Trustees Limited, Natwest Finance Limited, and Penrose Enterprises Limited are related to the Company by way of common shareholding.

On 1 October 2019 Beneficial Insurance Limited and Broadlands Finance Limited entered into a new shared services agreement which included the change of shared employees changing from being employed by Broadlands Finance Limited to Beneficial Insurance Limited. On 1 April 2021 the agreement was revised to incorporate changes in shared service costs. The shared services agreement includes rental and salary oncharge costs and during the financial year ended 31 March 2022 these amounted to $93,875 and $135,362 respectively. The salary oncharge costs of $135,362 have been offset against Employee Benefits expense on the statement of comprehensive income.

The amounts receivable / (payable) are unsecured and no guarantees are in place. No interest is charged on amounts owing between related entities. No receivables or payables are impaired as at 31 March 2022 (2021: $Nil).

$ thousands	March 2022	March 2021
S. R. Tietjens	58	45
T. S. Radisich	58	45
G. W. McCurrach	58	45
Total directors remuneration	174	135

Key management personnel remuneration

$ thousands	March 2022	March 2021
Salaries and other short term benefits paid	187	172

25. Contingent liabilities

There are no contingent assets or liabilities at the reporting date (2021: $Nil).

26. Capital commitments

There are no capital commitments at the reporting date (2021: $Nil).

27. Subsequent events

The Directors are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in the financial statements that have significantly or may significantly affect the operations of the Company (2021: none).

Corporate governance and disclosures

Statement of responsibility for financial statements

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information.

The Directors are also responsible for the systems of internal control and risk management. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. Appropriate systems of internal control have been employed to ensure that all transactions have been executed in accordance with authority and correctly processed and accounted for in the financial statements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year ended 31 March 2022.

In the opinion of the Directors:

- the Statement of Comprehensive Income is drawn up so as to present fairly, in all material respects, the results of operations of the Company for the year ended 31 March 2022;
- the Statement of Financial Position is drawn up so as to present fairly, in all material respects, the state of affairs of the Company as at 31 March 2022;
- the Statement of Cash Flows is drawn up so as to present fairly, in all material respects, the cash flows of the Company for the year ended 31 March 2022; and,
- there are no reasons to believe that the Company will not be able to pay its debts as and when they fall due.

Signed on behalf of the Board by:

Dated: 17 June 2022

SR Tietjens

Stephen R Tietjens
Chairman

Grant W McCurrach
Director

Directors' statement

Annual report to the shareholder of Beneficial Insurance Limited for the year ended 31 March 2022

Pursuant to sections 208 and 209 of the Companies Act 1993, the directors present their annual report comprising these audited Financial Statements for the year ended 31 March 2022 and the independent auditor's report thereon.

This report is to be read in conjunction with the Financial Condition Report for the year ended 31 March 2022 from the Appointed Actuary.

With the agreement of the shareholder, the Company has taken advantage of reporting concessions available to it under section 211 (3) of the Companies Act 1993. The information required by paragraphs (a) and (e) to (j) of section 211 (1) of the Companies Act 1993 is therefore not disclosed.

Signed in accordance with a resolution of the directors:

Dated: 17 June 2022

Stephen R Tietjens
Director

Grant W McCurrach
Director

Company Directory

Date of Incorporation	20 March 2002
Nature of Business	The Company is an insurance provider of consumer credit indemnity, finance protection, mechanical breakdown, and pet insurance products.
Registered Office	Level 3, 445 Karangahape Road Newton Auckland 1010 PO Box 68-548 Wellesley Street, Auckland 1141
Company Number	1196170
Directors	Stephen R Tietjens (Chairman) Tony S Radisich Grant W McCurrach
Auditors	PricewaterhouseCoopers Private Bag 92162 15 Customs Street West Auckland 1010
Appointed Actuary	Davies Financial and Actuarial Limited PO Box 35-258 Browns Bay Auckland
Financial disputes resolution service	FairWay Resolution Limited PO Box 2272 Wellington 6140
Solicitors	Glaister Ennor PO Box 63 Auckland 1140
Bankers	Westpac New Zealand Limited Otahuhu, Auckland
Shareholder	Beneficial Holdings Limited
Place of Business	Level 3, 445 Karangahape Road Newton Auckland 1010
Tax Accountants	nsaTax Limited P O Box 3697 Auckland 1140

Independent auditor's report

To the Shareholder of Beneficial Insurance Limited

Our opinion

In our opinion, the accompanying financial statements of Beneficial Insurance Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2022, 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 financial statements comprise:

- the statement of financial position as at 31 March 2022;
- 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 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 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 Company 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 Company in the areas of assurance over the Company's solvency return and regulatory advisory services. In addition, certain partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the Company. These services and relationships have not impaired our independence as auditor of the Company.

Key audit matters

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

Description of the key audit matter	How our audit addressed the key audit matter
Valuation of outstanding claims liabilities (2022: $1,227,000, 2021: $983,000) We considered the valuation of outstanding claims liabilities a key audit matter because of the complexity involved in the estimation process and the significant judgements that management made in determining the balance. In particular, judgement arises over the estimation of claims that have been incurred at the reporting date but have not yet been reported to the Company, as there is generally less information available in relation to these claims, and claims that have been reported but there is uncertainty over the amount which will be settled. To ensure the calculated amount sufficiently allows for the inherent uncertainty in the central estimate of future claims cash outflows, management based the calculated amount on estimates determined by an external independent actuary using actuarial assumptions including loss ratios, claims handling expenses and risk margins. The estimation process also relies on the quality of the underlying claims data. Management determined the provision for outstanding claims at a level equivalent to 90% probability of sufficiency in determining the risk margin. Refer to the following notes in the Company's financial statements: Note 1 for significant judgements, estimates and assumptions and Note 16 for outstanding claims related disclosure.	Together with our actuarial experts, we: • Considered the work and findings of the external independent actuary engaged by the Company; • Assessed the reasonableness of the actuarial assumptions including loss ratios, claims handling expenses and risk margins against the Company's past experience and our experience of market practice; • Evaluated the actuarial models and methodologies used by the external independent actuary by comparing with generally accepted models and methodologies applied in the industry; and • Evaluated the risk margin which brings the probability of adequacy to 90%. Historical claims data is a key input to the actuarial estimates. Accordingly, we: • Obtained an understanding of the processes and controls in place to determine the valuation of outstanding claims liabilities; • Evaluated the design effectiveness and tested the operating effectiveness of controls over the claims payment process; • Inspected a sample of claims data reconciliations; and • Inspected a sample of claims paid during the year to confirm they were supported by appropriate documentation. We have no matters to report from the procedures performed.

Our audit approach

Overview

Materiality	Overall materiality: $306,000, which represents approximately 5% of profit before tax. We chose profit before tax as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the Company and is a generally accepted benchmark for general insurers. The 5% is based on our professional judgement, noting that it is also within the range of commonly accepted thresholds.
Key audit matters	As noted above, we have determined that there is one key audit matter, being: • Valuation of outstanding claims liabilities

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the 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.

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the 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 financial statements as a whole.

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 financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears 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 financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 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 financial statements.

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

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

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
17 June 2022

Auckland

Davies Financial and Actuarial Limited

15th June 2022

To: The Directors
Beneficial Insurance Limited

From: Peter Davies
Appointed Actuary

Re: Beneficial Insurance Limited ("BIL"): Report as at 31st March 2022 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for BIL as at 31st March 2022. "Actuarial information" includes the following:

    - claim provisions and unexpired risk / unearned premium provisions;
    - solvency calculations in terms of the RBNZ Solvency Standard;
    - balance sheet and other information allowed for in the calculation of the company's solvency position; and
    - disclosures regarding the methodology and assumptions used for calculating claim provisions, unexpired risk provisions, and other disclosures.

2. No limitations have been placed on my work.

3. I am independent with respect to BIL as defined under professional standard ISA (NZ) 620 of the External Reporting Board.

4. I have been provided with all information that I have requested in order to carry out this review.

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay, 0630 Telephone (09) 489 3551 e-mail: pdavies@actuary.co.nz
P.O. Box 35-258, Browns Bay, Auckland 10 home page: www.actuary.co.nz

5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.

6. As at 31st March 2022, BIL's solvency position under the RBNZ Solvency Standard for Non-Life Insurance was as follows:

	March 2022	March 2021
Solvency capital	12,342,936	11,428,220
Calculated minimum capital requirement	2,169,684	1,592,176
Surplus on calculated minimum capital requiremer	10,173,252	9,836,044
Solvency coverage ratio on calculated margin:	568.9%	717.8%
Overall minimum capital requirement per standard	3,000,000	3,000,000
Surplus on overall minimum capital requirement	9,342,936	8,428,220
Solvency coverage ratio on overall margin	411.4%	380.9%

The solvency coverage ratio has increased from 381% to 411%, arising from the strong level of after-tax profit for the year, net of dividends totalling $3.83m paid during the year.

Assuming that the Company's business plans are realised and claims occur as projected, the Company is projected to exceed the minimum RBNZ requirement at all times over the next four years.

I would be very happy to answer any queries concerning this report.

Yours sincerely

Peter

Peter Davies B.Bus.Sc., FIA, FNZSA
Appointed Actuary

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