CO-OPERATIVE LIFE LIMITED

Annual Financial Statements

For the year ended 31 March 2022

CO-OPERATIVE LIFE LIMITED
Income Statement

	Note	Year ended 31/03/2022 $000	Year ended 31/03/2021 $000
Insurance premium revenue		12,086	12,198
Outwards reinsurance premium expense		(2,748)	(2,516)
Net premium revenue		9,338	9,682
Investment and other revenue	3	148	558
Net revenue		**9,486**	**10,240**
Claims expense		(5,828)	(4,048)
Reinsurance recoveries revenue		2,600	1,916
Net claims expense		**(3,228)**	**(2,132)**
Changes in policy liabilities	13	1,013	644
Other operating expenses	4	(5,735)	(5,099)
Total operating expenses		**(4,722)**	**(4,455)**
Profit before tax		**1,536**	**3,653**
Income tax expense	5	(430)	(1,023)
Profit after tax attributable to parent	6	**1,106**	**2,630**

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

CO-OPERATIVE LIFE LIMITED
Statement of Comprehensive Income

	Year ended 31/03/2022 $000	Year ended 31/03/2021 $000
Profit after tax	**1,106**	**2,630**
Items that may be reclassified subsequently to profit or loss		
Fair value movement on other comprehensive income ('OCI') investments	(499)	(53)
Income tax expense relating to items that may be reclassified	140	15
Other comprehensive income, net of tax	**(359)**	**(38)**
Total comprehensive income, net of tax	**747**	**2,592**
Total comprehensive income for the period attributable to parent	**747**	**2,592**

Statement of Changes in Equity

Equity at beginning of year	10,781	9,989
Profit after tax attributable to parent	1,106	2,630
Other comprehensive income attributable to parent	(359)	(38)
Dividends paid	-	(1,800)
Equity at end of year	**11,528**	**10,781**
Retained earnings		
Balance at beginning of year	9,187	8,357
Profit after tax	1,106	2,630
Dividends paid	-	(1,800)
Balance at end of year	**10,293**	**9,187**
Fair value through OCI investments reserve		
Balance at beginning of year	94	132
Fair value movement through other comprehensive income	(499)	(53)
Tax through other comprehensive income	140	15
Balance at end of year	**(265)**	**94**
Share capital		
Balance at beginning of year	1,500	1,500
Balance at end of year	**1,500**	**1,500**
Total equity	**11,528**	**10,781**

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

CO-OPERATIVE LIFE LIMITED
Balance Sheet

	Note	As at 31/03/2022 $000	As at 31/03/2021 $000
Assets			
Cash and cash equivalents		236	442
Fair value through OCI investments	7	6,254	6,249
Fair value through profit or loss investments	8	8,073	8,298
Receivables and prepayments	10	363	775
Deferred tax asset	5	103	29
Total assets		**15,029**	**15,793**
Liabilities			
Trade and other payables	11	1,066	1,054
Outstanding claims provision	12	1,677	2,187
Life insurance net policy liabilities	13	758	1,771
Total liabilities		**3,501**	**5,012**
Net assets		**11,528**	**10,781**
Equity			
Retained earnings		10,293	9,187
Share capital	16	1,500	1,500
Fair value through OCI investments reserve		(265)	94
Total equity		**11,528**	**10,781**

These financial statements were authorised for issue on 8 June 2022.

For and on behalf of Directors:

Director

Director

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

CO-OPERATIVE LIFE LIMITED
Statement of Cash Flows

	Note	Year ended 31/03/2022 $000	Year ended 31/03/2021 $000
Cash flows from operating activities			
Insurance premiums received		12,086	12,198
Reinsurance recoveries received		3,010	1,685
Interest and commissions received		460	610
Claim costs paid		(6,338)	(3,755)
Outwards reinsurance premium expense paid		(2,748)	(2,516)
Other operating payments		(5,090)	(5,649)
Income taxes paid		(995)	(1,008)
Net cash flows from operating activities	17	**385**	**1,565**
Cash flows from investing activities			
Net (purchase)/sale of investments		(591)	406
Net cash flows (to)/from investing activities		**(591)**	**406**
Cash flows from financing activities			
Dividends paid to parent		-	(1,800)
Net cash flows to financing activities		**-**	**(1,800)**
Net movement in cash and cash equivalents		**(206)**	**171**
Opening balance of cash and cash equivalents		442	271
Closing balance of cash and cash equivalents		**236**	**442**

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

1. Statement of Accounting Policies

Reporting entity

Co-operative Life Limited ("the Company" or "Co-op Life") is a profit-oriented entity incorporated in New Zealand under the Companies Act 1993 and registered under the Co-operative Companies Act 1996 on 17 October 2011. The Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

The Company is a wholly owned subsidiary of The Co-operative Bank Limited ("Co-op Bank" or "the Parent"). The registered office is Level 2, PwC Centre, 10 Waterloo Quay, Pipitea, Wellington 6011.

The Company's life insurance operations are conducted in accordance with the Life Insurance Act 1908 and the Insurance (Prudential Supervision) Act 2010. On 25 March 2013, the Company obtained its licence to carry on life insurance business in New Zealand under the Insurance (Prudential Supervision) Act 2010 from the Reserve Bank of New Zealand.

As at 31 March 2022 and up until the date of signing these Financial Statements, Co-op Life had a financial strength rating of B++ (outlook stable) and an issuer credit rating of bbb+ (outlook stable) issued by A.M. Best Company Inc ("A.M. Best"). The financial strength rating and credit rating were re-affirmed by A.M. Best on 16 September 2021.

The Company's principal business activities are the provision and underwriting of life and trauma insurance which involves the acceptance of significant insurance risk. Life insurance contracts are those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The Company currently provides the Life Plus, Loan Plus, and Loan Instalment Care insurance products. All insurance contracts written are non-investment linked and non-participating, with all profits and losses being allocated to the shareholder.

Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), which complies with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other Financial Reporting Standards as applicable for profit-oriented entities. The Company's financial statements comply with International Financial Reporting Standards ("IFRS").

Measurement base

The financial statements have been prepared on a going concern basis in accordance with the historical cost concept, except for the revaluation of fair value through OCI investments and financial instruments designated at fair value through profit or loss, both of which are recognised at fair value. Cost is based on the fair value of the consideration given in exchange for the assets.

Revenue, expenses and assets are reported in the financial statements net of the amount of Goods and Services Tax ("GST"), except when the GST incurred on a purchase of goods and services is not recoverable. Where GST is not recoverable, it is recognised as part of the cost of the acquisition of the assets or as part of the expense item as applicable. Receivables and payables are reported in the Balance Sheet with the amount of GST included.

Use of accounting estimates and judgements

The preparation of the financial statements requires the use of judgement, estimates and assumptions that affect reported amounts. The estimates and assumptions used are based on historical experience and other factors which are reviewed on a regular basis. Actual results may differ from these estimates. For further discussion on the critical estimates and judgements used by the Company that have the most significant effect on the amounts recognised in the financial statements, refer to Notes 11 (Trade and Other Payables) and 13 (Life Insurance Net Policy Liabilities).

Recognition and de-recognition of financial assets and financial liabilities

The Company recognises a financial asset or financial liability on its Balance Sheet when the Company becomes a party to the contractual provisions of the financial asset or financial liability.

1. Statement of Accounting Policies continued

The Company derecognises a financial asset from its Balance Sheet when:

(a) The contractual rights to the cash flows from the financial asset expire; or
(b) The Company has transferred the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or when it does not retain control of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract have been discharged, cancelled or have expired.

Functional and presentation currency and rounding

The functional and presentation currency of the Company is New Zealand dollars and all amounts have been rounded to the nearest thousand dollars ($000), except where otherwise stated.

Offsetting

Assets and liabilities are offset and the net amount presented in the Balance Sheet when the Company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented in the Income Statement or Statement of Comprehensive Income on a net basis only when permitted under NZ GAAP, or for gains and losses arising from a group of similar transactions.

Comparatives

To ensure consistency with the current period, comparative figures have been reclassified to align with current year presentation where appropriate.

Changes in accounting policies and application of new or amended accounting standards

The accounting policies used by the Company are consistent with those used in previous periods. Management have considered amendments to existing NZ IFRSs where those amendments became applicable for the first time during the year ended 31 March 2022. However, they have had no impact on the Company's reported result or financial position.

NZ IFRS accounting standards issued but not yet effective

At the date of authorisation of the financial statements, Management has identified one issued but not effective standard that has the potential to have significant impact on the Company's financial statements when it becomes applicable.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS 17*: Insurance Contracts*	1 January 2023	31 March 2024

NZ IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The Company is in the process of assessing the impact of the application of NZ IFRS 17 and is not yet able to reasonably estimate the impact on its financial statements.

2. Accounting Classification and Measurement

Financial instruments classification and measurement

The Company classifies its financial instruments into the following categories at initial recognition:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Assets classified as loans and receivables include receivables and prepayments.

Fair value through profit or loss investments

Financial assets and financial liabilities in this category are either held for trading or managed with other assets and liabilities which are accounted for and evaluated on a fair value basis. The Company has determined that all financial assets held in relation to insurance contracts are assets backing insurance contract liabilities. Such assets have been allocated to the Statutory Fund.

Changes in the fair value of these financial instruments are recognised in profit or loss in the period in which they occur. The fair value gain or loss does not include interest earned and accrued on the financial assets, as this is recorded as part of interest income.

Fair value through OCI investments

Fair value through OCI investments are non-derivative financial assets that are designated as fair value through OCI or are not classified as another category of financial assets. Fair value through OCI investments are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates or exchange rates.

Fair value through OCI investments are initially measured at historic cost, including transaction costs, and subsequently carried at fair value. Interest income is recognised in profit or loss using the effective interest method. Impairment losses are recognised directly in profit or loss. Other fair value changes, other than impairment losses, are recognised directly in OCI and presented in the fair value through OCI reserve within equity. When the financial asset is de-recognised or impaired, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss. Financial assets classified in this category include short term deposits and commercial paper securities, which are used to manage liquidity and may be sold prior to maturity.

Other financial liabilities

Other financial liabilities include all financial liabilities other than those classified at fair value through profit or loss. Other financial liabilities are initially recognised at historic cost, including direct and incremental transaction costs, and are subsequently measured at amortised cost. Financial liabilities classified in this category include trade and other payables.

The following symbols used throughout the Financial Statements represent:

Significant accounting policy

Significant accounting estimate or judgement

3. Investment and Other Revenue

	31/03/2022 $000	31/03/2021 $000
Interest on fair value through OCI investments	112	128
Interest on fair value through profit or loss investments	119	160
Commission income	219	284
Fair value movement on investments	(302)	(14)
	148	**558**

4. Other Operating Expenses

Policy acquisition costs	199	334
Policy maintenance expenses	4,652	4,604
Directors' fees	58	32
Compliance and remediation provision	679	-
Other operating expenses	147	129
	5,735	**5,099**
Fees paid to auditors		
Audit or review of financial statements	22	22
Other assurance services	8	8
Total fees paid to auditors	**30**	**30**

Auditor's remuneration is included within other operating expenses above.

Other operating expenses

Expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

Policy acquisition costs

Policy acquisition costs are the fixed and variable costs of acquiring new business, including commission and underwriting costs. Policy acquisition costs are initially recorded in profit or loss when the expense has been incurred, with any amounts to be deferred then taken to the Balance Sheet as a Deferred Acquisition Cost ("DAC") to be released over the life of the policy.

Policy maintenance expenses

Policy maintenance costs are the costs of administering policies subsequent to sale and maintaining operations such that they are sufficient to service existing policies. These include all operating and management costs other than policy acquisition and investment management costs. Policy maintenance costs are recorded in profit or loss when the expense has been incurred.

5. Income Tax

(a) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	31/03/2022 $000	31/03/2021 $000
Profit before tax	1,536	3,653
Tax expense at 28% (31 March 2021: 28%)	**(430)**	**(1,023)**
Comprising:		
Current tax	(504)	(995)
Deferred tax	74	(28)
Income tax expense	**(430)**	**(1,023)**

Income tax expense

Income tax on the net profit for the year comprises current and deferred tax and is based on the applicable tax law. The income tax expense is recognised in profit or loss except when it relates to items credited directly to equity, in which case it is recognised in OCI.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the year based on applicable tax rates and laws. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(b) Deferred Tax

31 March 2022	Opening balance 1 April $000	Charged to profit or loss $000	Closing balance 31 March $000
Deferred tax asset:			
Net policy liabilities	29	(117)	(88)
Provision liability	-	191	191
Total deferred tax asset	**29**	**74**	**103**
31 March 2021			
Deferred tax asset:			
Net policy liabilities	57	(28)	29
Total deferred tax asset	**57**	**(28)**	**29**

5. Income Tax continued

Deferred tax

Deferred tax is accounted for using the comprehensive tax balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which the deductible temporary differences or unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on applicable tax rates and laws. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

6. Analysis of Profit

	31/03/2022 $000	31/03/2021 $000
Planned margins of revenues over expenses	864	940
Changes in assumptions	442	261
Other income	(44)	159
Difference between actual and assumed experience	158	1,066
Investment earnings on assets in excess of policy liabilities	(314)	204
Profit after tax	**1,106**	**2,630**

7. Fair Value through OCI Investments

NZ registered bank bonds	-	215
Local government bonds	2,269	842
Rated corporate bonds	-	421
Listed multilateral development banks and other international organisation bonds	3,985	4,771
	6,254	**6,249**

8. Fair Value through Profit or Loss Investments

Short term deposits with NZ registered banks	1,402	750
Rated corporate commercial paper	1,497	1,000
Rated corporate bonds	505	944
NZ registered bank bonds	406	820
Local government bonds	2,357	2,627
Listed multilateral development banks and other international organisation bonds	1,906	2,157
	8,073	**8,298**

9. Fair Value of Financial Instruments

Financial assets and financial liabilities are measured on an on-going basis either at fair value or amortised cost. The assets not measured at fair value (Receivables, Trade and Other Payables, Outstanding Claims Provision) have an amortised cost value that is equivalent to fair value.

Fair value measurement

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in a transaction between active market participants or in its absence, the most advantageous market to which the Company has access to at the reporting date. The fair value of a financial liability reflects its non-performance risk.

When available, fair value is measured using the quoted price in an active market. A market is active if transactions take place with sufficient frequency and volume to provide pricing information on an on-going basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Valuation hierarchy for financial instruments held at fair value

The following fair value hierarchy, as set out in NZ IFRS 13: *Fair Value Measurement*, has been used to categorise the inputs to valuation techniques used to measure the financial assets and financial liabilities which are carried at fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

All of the Company's financial instruments that are recognised and measured at fair value on a recurring basis sit within Level 2.

There were no transfers between levels of the fair value hierarchy during the reporting period.

10. Receivables and Prepayments

	31/03/2022 $000	31/03/2021 $000
Reinsurance recoveries	333	743
Prepayments	30	32
	363	**775**

Insurance premiums

Insurance premium revenue is recognised from the inception date of the policy as soon as there is a basis on which it can reliably be estimated. Insurance premium revenue is recognised as income when it is earned in accordance with the pattern of incidence of risk expected under the insurance contract.

Reinsurance recoveries

Reinsurance recoveries are recognised as revenue from the date the applicable claim is accepted and recognised as a liability. Reinsurance recoveries are measured at the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

11. Trade and Other Payables

	31/03/2022 $000	31/03/2021 $000
Tax payable	349	980
Payable to parent	34	74
Compliance and remediation provisions	679	-
Other payables	4	-
	1,066	**1,054**

At 31 March 2022, Co-op Life has recognised a provision of $679,000 for estimated compliance and remediation costs. Co-op Life has been undertaking a review of the Credit Contracts and Consumer Finance Act 2003 as it relates Co-op Life's products and services. Provisions have been recognised where this review has identified areas that may result in the requirement for remediation activity and the costs can be reasonably estimated.

Compliance and remediation provisions

The determination of compliance and remediation provisions involves a significant degree of judgement. This includes identifying whether a present obligation exists as well as estimating the probability, size, timing and nature of any outflows that may arise in relation to the obligation. Assumptions are required regarding the number of customers impacted, the amount of remediation required per customer and other costs that may arise. Actual results may differ from the amounts provided for if actual outcomes differ from the assumptions used in estimating the provision.

12. Outstanding Claims Provision

Claims under policies in the process of settlement	1,354	1,844
Claims incurred but not reported	323	343
	1,677	**2,187**

Claims

Insurance claims are recognised as an expense when a valid claim has been received and accepted.

The outstanding claims liability for the Loan Plus and Life Plus products equals the sum insured of valid notified claims that have yet to be paid.

For the Loan Instalment Care product, the outstanding claim liability equals the discounted present value of the estimated future payments of the insured benefit for the duration of disablement.

For all insurance products an additional provision is held for claims incurred but not reported ("IBNR") at the reporting date, which is calculated by Co-op Life's independent Appointed Actuary based on historical claims experience and actuarial statistical tables.

13. Life Insurance Net Policy Liabilities

	31/03/2022 $000	31/03/2021 $000
Balance at 1 April	1,771	2,415
Movement for the year	(1,013)	(644)
Balance at 31 March	**758**	**1,771**

Components of life insurance net policy liabilities	31/03/2022 $000	31/03/2021 $000
Future policy benefits	80,400	90,009
Balance of future expenses	52,225	58,708
Planned margins of revenue over expenses	17,135	20,071
Future charges for acquisition costs	(4,483)	(4,853)
Deferred tax liability element of policy liabilities	83	(29)
Balance of future revenues	(144,602)	(162,135)
	758	**1,771**

The Life Insurance Net Policy Liabilities recorded in the Balance Sheet comprises of the following components:

- An estimate of the net present value of the net future cash flows of the Life Plus and Loan Plus products plus a profit margin, calculated using the projection method. This method defers profits over the life of the policy and releases it evenly over the term of the contract in proportion to the profit carriers (gross life and trauma claims). The deferred acquisition costs component of the policy liabilities is separately identified for the purpose of calculating deferred tax. The Loan Plus product includes a number of longer-term policies transferred from the Loan Care product in 2016; and
- Unearned premium on the LIC product. This is calculated using the accumulation method and represents the premium unearned up to the next premium due date. The result of using the "accumulation" method rather than the "projection" method required under NZ IFRS 4: Insurance Contracts ("NZ IFRS 4") is not materially different as the LIC contracts have an average duration of approximately 2.5 years.

Life insurance net policy liabilities

Policy liabilities arising from insurance contracts are calculated by Co-op Life's independent Appointed Actuary, using the Margin on Service ("MoS") methodology in accordance with New Zealand Society of Actuaries Professional Standard 20: *Determination of Life Insurance Policy Liabilities.* Under the MoS methodology, profit comprises the following components:

- Planned Margins of Revenues over Expenses – at the time of writing a policy and at each reporting date, best estimate assumptions are used to determine all expected future payments and premiums.
- Difference between Actual and Assumed Experience – where actual experience replicates best estimate assumptions, the expected profit margin will be released to profit over the life of the policy. Experience profits or losses are realised where actual experience differs from best estimate assumptions. Instances giving rise to experience profits or losses include variations in claims, expenses, mortality, discontinuance and investment returns.
- Investment Earnings on Assets in Excess of Policy Liabilities – profits are generated from investment assets which are in excess of those required to meet policy liabilities. Investment earnings are directly influenced by market conditions and as such this component of MoS profit will vary from year to year.

13. Life Insurance Net Policy Liabilities continued

Life insurance net policy liabilities continued

- Changes to underlying assumptions – assumptions used for measuring policy liabilities are reviewed each year. Where the review leads to a change in assumptions, the change is deemed to have occurred from the reporting date. The financial effect of changes to demographic and expense assumptions underlying the measurement of policy liabilities are recognised in the Statement of Comprehensive Income over the future reporting periods during which services are provided to policyholders. The financial effect of changes to economic assumptions (discount rates) are recognised immediately. If written business is expected to be unprofitable based on best estimate assumptions, the total expected loss is recognised in the Statement of Comprehensive Income immediately. When loss making business subsequently becomes profitable, previously recognised losses are reversed.

The Life Insurance Net Policy Liabilities recorded in the Balance Sheet is the sum of the unearned premium reserve ("UPR"), net of DAC.

Actuarial Information

The valuation of policy liabilities has been calculated by Co-op Life's independent Appointed Actuary Peter Davies, B.Bus.Sc., FIA, FNZSA. The valuation is done in accordance with NZ IFRS 4 and Professional Standard no. 20: Determination of Life Insurance Policy Liabilities ("PS-20"), issued by the New Zealand Society of Actuaries. Mr Davies is an independent professional adviser to the Company on insurance related matters.

The valuation of policy liabilities as at 31 March 2022 was dated 6 May 2022. Mr Davies confirmed in his actuarial report that he is satisfied with the nature, sufficiency and accuracy of the data provided to him by Co-op Life for the purpose of his valuation. The discount rate assumed for the valuation of the Life Plus business in the 31 March 2022 valuation was materially higher than the assumption used in the 31 March 2021 valuation, leading to a reduction in policy liabilities (net of deferred acquisition costs) of $442,000. There were no qualifications in the actuarial report.

Best Estimate Assumptions

The key assumptions that affect the estimation of policy liabilities used by the Appointed Actuary are set out below:

Discount, Inflation, and Tax Rates:
Discount rates vary from 2.36% to 2.76% (net of tax) dependent on the product (2021: 0.34% to 1.31% net of tax). The discount rate basis is swap rates (2021: swap rates). Inflation and tax are set at 2% and 28% respectively.

Mortality:
Life Plus Death cover was assumed 72% of NZ97 (mortality experience of NZ insured lives 1993 – 1997) (2021: 72%), based on the Company's own experience, adjusted for the smoking status of lives insured. Loan Plus was assumed 55% of NZ97 (2021: 55%).

Morbidity:
Life Plus Trauma assumed at 54% of reinsurance rates (2021: 54%); Loan Instalment Care 25% of premiums (2021: 25%).

Cancellation Rates:
Life Plus cancellation rates vary from 5.5% to 11% (2021: 5.5% to 11%) dependent on the age of the policy holder and the recent and expected future experience of cancellations. Loan Instalment Care is based on a cancellation rate of 37% per annum (2021: 35%).

Surrender volume and values:
Loan Plus surrender volumes are based on a sliding scale which is modelled from actual experience adjusted for expected future experience. Loan Plus Surrender values are modelled from actual experience adjusted for expected future experience.

Administration Costs:

Life Plus renewals	$36 per policy per annum (2021: $33)
Loan Plus	$2 per policy per annum (2021: $1)
Loan Instalment Care	18% of premiums (2021: 15% of premiums)

13. Life Insurance Net Policy Liabilities continued

Estimation of life insurance net policy liabilities

Life insurance contract liabilities are valued using actuarial models which are based on recognised actuarial methodologies, standards and principles. The methodologies take into account the risks and uncertainties of the life insurance policies and use best estimate assumptions (detailed on the previous page), which requires a high level of judgement. Variances between best estimate assumptions used and actual experience could affect the value of the life insurance net policy liabilities.

14. Life Fund Reporting

Statutory Fund

On 1 July 2012, Co-op Life established a Statutory Fund in accordance with the requirements of the Insurance (Prudential Supervision) Act 2010. The Statutory Fund gives priority to policy holders to the assets held in the Statutory Fund ahead of the claims of any other creditor.

All operating profits and losses generated by the Statutory Fund are retained within the Statutory Fund and distributions of these can only be made provided they comply with the requirements of the Insurance (Prudential Supervision) Act 2010 and the Insurance (Prudential Supervision) Regulations 2010. These requirements include receiving and having regard to Co-op Life's Appointed Actuary's written advice as to the likely consequences of any proposed distribution. A distribution of the Statutory Fund's retained profits must not be made if the distribution would have the result that Co-op Life would fail to maintain the minimum solvency margin in relation to the Statutory Fund.

Profit and Loss disaggregated by Life Fund

	31 March 2022			31 March 2021		
	Statutory Fund $000	**Shareholder Fund $000**	**Total $000**	**Statutory Fund $000**	**Shareholder Fund $000**	**Total $000**
Net premium revenue	9,338	-	9,338	9,682	-	9,682
Investment and other income	(203)	351	148	91	467	558
Net revenue	**9,135**	**351**	**9,486**	**9,773**	**467**	**10,240**
Net claims expense	(3,228)	-	(3,228)	(2,132)	-	(2,132)
Other operating expenses	(4,722)	-	(4,722)	(4,455)	-	(4,455)
Net profit before taxation	**1,185**	**351**	**1,536**	**3,186**	**467**	**3,653**
Net profit after taxation	**853**	**253**	**1,106**	**2,294**	**336**	**2,630**

14. Life Fund Reporting continued

Balance sheet disaggregated by Life Fund

	31 March 2022			31 March 2021		
	Statutory Fund $000	**Shareholder Fund $000**	**Total $000**	**Statutory Fund $000**	**Shareholder Fund $000**	**Total $000**
Cash	213	23	236	137	305	442
Investment assets	8,073	6,254	14,327	8,298	6,249	14,547
Other assets	466	56	522	804	-	804
Total assets	**8,752**	**6,333**	**15,085**	**9,239**	**6,554**	**15,793**
Other liabilities	1,122	-	1,122	938	116	1,054
Outstanding claim provision	1,677	-	1,677	2,187	-	2,187
Life insurance net policy liabilities	758	-	758	1,771	-	1,771
Total liabilities	**3,557**	**-**	**3,557**	**4,896**	**116**	**5,012**
Retained earnings	5,195	5,098	10,293	4,343	4,844	9,187
Share capital	-	1,500	1,500	-	1,500	1,500
Available for sale reserve	-	(265)	(265)	-	94	94
Total equity	**5,195**	**6,333**	**11,528**	**4,343**	**6,438**	**10,781**

* Total assets and Total liabilities at 31 March 2022 reported above are respectively $56,000 greater than reported in the Co-op Life Balance Sheet. This is due to a Shareholder Fund tax provision being netted off against a Statutory Fund tax provision in the Co-op Life Balance Sheet. Total assets and Total liabilities at 31 March 2021 reported above are respectively $24,000 greater than reported in the Co-op Life Balance Sheet. This is due to a Shareholder Fund intercompany receivable being netted off against a Statutory Fund intercompany payable in the Co-op Life Balance Sheet.

15. Solvency Margin

The Insurance (Prudential Supervision) Act 2010 requires registered life insurers to maintain a positive Solvency Margin for the Shareholder Fund and each Statutory Fund at all times. We have calculated the prudential solvency position as at 31 March 2022 in accordance with the Reserve Bank of New Zealand ("RBNZ") Solvency Standard for Life Insurance Business ("the Solvency Standard"). The solvency position for the Statutory Fund and the Shareholder Fund is summarised below:

	31 March 2022			31 March 2021		
	Statutory Fund $000	**Shareholder Fund $000**	**Total $000**	**Statutory Fund $000**	**Shareholder Fund $000**	**Total $000**
Total assets	8,752	6,333	15,086	9,239	6,554	15,793
Total liabilities	(3,557)	(0)	(3,557)	(4,896)	(116)	(5,012)
Capital	5,195	6,333	11,528	4,343	6,438	10,781
Deductions	(74)	(56)	(130)	-	-	-
Actual solvency capital	5,121	6,277	11,398	4,343	6,438	10,781
Minimum solvency capital*	1,170	387	5,000	872	401	5,000
Solvency margin	**3,951**	**5,890**	**6,398**	**3,471**	**6,037**	**5,781**
Solvency ratio	**438%**	**1,622%**	**228%**	**498%**	**1,605%**	**216%**

*A minimum solvency capital of $5m is required at a total company level for Co-operative Life. As the sum of the Statutory and Shareholder Fund's minimum solvency capital is less than the regulatory requirement of $5m, the minimum solvency capital for Co-operative Life defaults to $5m. This means the Total Co-operative Life solvency column does not equal the total of the Statutory and Shareholder Fund columns.

16. Share Capital

	31/03/2022 Number of shares '000	31/03/2021 Number of shares '000
Opening number of fully paid issued ordinary shares	1,500	1,500
Closing number of fully paid issued ordinary shares	**1,500**	**1,500**

All fully paid ordinary shares rank equally and share equally in any surplus, dividends or share in winding up. All ordinary shares were issued for $1 per share.

17. Reconciliation of Profit after Tax with Net Cash Flows from Operating Activities

	Year ended 31/03/2022 $000	Year ended 31/03/2021 $000
Profit after tax	1,106	2,630
Add/(Less) non-cash items:		
Fair value movement on investments	302	14
Deferred tax	(74)	28
IBNR claims provision	(20)	11
Changes in working capital items:		
Receivables and prepayments	414	(229)
Trade and other payables	150	(565)
Outstanding claims provision	(490)	282
Life insurance net policy liabilities	(1,013)	(644)
Items classified as investing activities:		
Interest on investment securities	10	38
Net cash flows from operating activities	**385**	**1,565**

Statement of Cash Flows

The Statement of Cash Flows has been prepared using the direct approach modified by the netting of certain items in order to provide more meaningful disclosure. Cash flows included in the Statement of Cash Flows are reported net of GST, except when the GST incurred in a purchase of goods and services is not recoverable. The following are definitions of the terms used in the Statement of Cash Flows:

- Cash and cash equivalents comprises cash held at registered banks;
- Investing activities are those relating to the acquisition, holding and disposal of financial assets;
- Financing activities are those activities which result in changes in size, composition and capital structure of the Company; and
- Operating activities include all transactions and other events that are not investing or financing activities.

18. Related Party Transactions

	31/03/2022 $000	31/03/2021 $000
Transactions during the year:		
Net payment of monies to Co-op Bank	(42)	(547)
Dividends paid to Co-op Bank	-	(1,800)
Policy maintenance expense paid to Co-op Bank	(4,686)	(4,636)
Policy acquisition costs paid to Co-op Bank*	(73)	(167)
Amounts outstanding at year end:		
Payable to Co-op Bank (non-interest bearing)	(34)	(74)
Tax payable to Co-op Bank (non-interest bearing)	(349)	(980)

**Commission expense is classified as Policy Acquisition Costs for Loan Plus as Loan Plus is a single premium product, and Policy Maintenance Expenses for all other products.*

The Company has no employees as its activities are managed by Co-op Bank in accordance with a Management Deed between the parties. All income and expenses of the Company are initially received or paid by Co-op Bank on behalf of the Company and are settled regularly through the intercompany account.

No related party balances were written off or forgiven during the year ended 31 March 2022 (2021: Nil).

19. Financial Risk Management

The Company is committed to the management of risk to achieve sustainability of service and profits, and therefore, takes on controlled amounts of risk when considered appropriate. The Company's primary operating risks are insurance, credit, liquidity, interest rate and operational risk. There have been no material changes in the Company's policies for managing these risks during the financial reporting period.

The Co-op Life Board's policy is to maintain a strong capital base to protect policyholders' and creditors' interests and meet the regulatory requirements set out in the Solvency Standard for Life Insurance Business issued by the Reserve Bank of New Zealand. The Company's Board of Directors is ultimately responsible for the review and ratification of the Company's systems of risk management, internal controls and legal compliance. The Co-op Life Board meets quarterly and receives reports including performance against agreed risk metrics. Risk systems and procedures are maintained and monitored by Co-op Bank under a Management Deed.

Co-op Bank's Board of Directors maintains a formal set of delegated authorities for Co-op Bank and its subsidiaries, including Co-op Life. Credit and treasury delegated authorities are contained within their respective policy documents. Co-op Bank's Board of Directors approves these delegated authorities on behalf of the Company after input from the Company's Board.

Co-op Bank management formally reports on all aspects of key operational risks to the Company's Board of Directors at least four times each year. Credit and treasury risks are reported monthly to the Company's parent Board and treasury risks reported quarterly to the Company's Board. In addition, the following Management Committees review and manage key risks:

(i) Co-op Bank's Senior Leadership Team meets regularly to consider new and emerging risks, reviews actions required to manage and mitigate key risks, and to monitor progress; and

(ii) Co-op Bank's Assets and Liabilities Committee ("ALCO") meets weekly to consider, monitor and review exposure to interest rate risk, liquidity risk, and credit risk.

Insurance Risk

Insurance risk is the failure of product design, product pricing, underwriting or claims management processes resulting in the cost of insurance claims being higher than the planned cost. Key insurance risk metrics are measured against targets and reported to the Co-op Life Board on a quarterly basis. In compliance with contractual and policy requirements, a strategy is in place to ensure that the risks underwritten should not adversely affect Co-op Life's ability to pay benefits and claims when they fall due. To limit its exposure, Co-op Life has its own reinsurance programme in place where it cedes business to external entities, either by surplus or quota share reinsurance arrangements.

19. Financial Risk Management continued

Procedures exist for verification, assessment and payment of claims. Strict claims management procedures ensure the timely and correct payment of claims in accordance with policy and/or treaty conditions.

Concentration of insurance risk is managed by setting the underwriting acceptance criteria for Life Plus life and trauma cover so that they are progressively more extensive with higher covers and older ages and limiting the maximum cover offered by some key products. Policies are sold only to individuals where there is a reasonable diversification of geographic and work-place risk, rather than to employer-based or affinity-based schemes.

Sensitivity Analysis

A sensitivity analysis has been carried out based on the position at 31 March 2022, varying the discount rate used to value policy liabilities for Life Plus and Loan Plus by an increase and decrease of 100 basis points respectively. The policy liabilities for LIC are unaffected by this change, due to this business being valued on the accumulation method, which does not require discounting. However estimation of future claim costs does have a discounting impact. The effect of the change in rates is shown below:

	Discount rate increase before tax by 100 basis points		**Discount rate decrease before tax by 100 basis points**	
	2022 $000	**2021 $000**	**2022 $000**	**2021 $000**
Life Plus – impact on policy liabilities	(289)	(303)	344	356
Loan Plus – impact on policy liabilities	(3)	(5)	3	5
Loan Instalment Care – impact on open claims	(1)	(2)	1	2

Further sensitivity analysis has been completed using a 10% change to the demographic and expense assumptions used. There is no impact on LIC's net policy liabilities because LIC is subject to a loss recognition test. For the Life Plus and Loan Plus products, there is sufficient profit margin in the policy liabilities to absorb any change in actual experience versus best estimate assumptions. Further analysis on the effect of movements on interest rates on interest bearing assets is disclosed on page 20.

Credit Risk

Credit risk is the potential risk of loss arising from the non-performance of a counterparty to a financial instrument or facility. The Company's credit risk relates predominately to wholesale (treasury) investments. Approximately 60% (2021: 54%) of all credit risks are within New Zealand and all credit risk is denominated in New Zealand dollars. The risk exposure is managed through a conservative "approved counterparty" policy and maximum credit limits which have been approved for each counterparty on the basis of:

- Portfolio tier limits by credit rating;
- Individual tier limits by credit rating;
- Product category limits; and
- Term to maturity limits.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting commitments associated with its financial liabilities. Liquidity risk is mitigated through:

(i) Managing the relative term to maturity of insurance treasury assets;
(ii) Investing in liquid, senior ranking securities; and
(iii) Compliance with regulated solvency margins as stipulated by regulation.

Liquidity management is delegated, under the Management Deed, to Co-op Bank's Treasurer under the oversight of Co-op Bank's Assets and Liabilities Committee.

Interest Rate Risk

Interest rate risk relates to the risk of adverse movements in interest rates. These movements could impact current period operating profits.

Interest rate risk is managed by the Company through a strategic asset allocation policy and an investment management policy that has regards to surrender and claims expectations and risks. Any breaches of interest rate risk limits are managed within the treasury policy of Co-op Bank and reported to the Company's Board of Directors quarterly.

19. Financial Risk Management continued

Sensitivity Analysis

As at 31 March, if interest rates on interest bearing assets had been 100 basis points higher or 100 basis points lower with all other variables held constant, the impact on profit after tax and equity would have been as follows:

	Interest rates increase by 100 basis points		Interest rates decrease by 100 basis points	
	2022	2021	2022	2021
	$000	$000	$000	$000
Effect on profit after tax	(136)	(180)	157	209
Effect on equity	(106)	(119)	112	125

The effect of movements in interest rates on interest bearing assets is partially mitigated by the effect of movements in discount rates on policy liabilities, as discussed on page of these Financial Statements. Interest rate risk on net interest income is managed by investing in securities with durations similar to those of the policy liabilities.

Operational Risk

Operational risks are those arising from human error, system failures, inadequate procedures or controls and external events. Co-op Bank, under the Management Deed, manages the Company's operational risks. Risks under management include systems, reputation, legal and regulatory, fraud, losses and physical asset protection and crisis management. Risks are reported to the Board of Co-op Bank on a monthly basis and remedial action taken where necessary. Continuous monitoring of the procedures in place is undertaken to minimise the chance of an adverse compliance or operational risk event occurring.

20. Concentration of Credit Exposures

	31/03/2022	31/03/2021
	$000	$000
NZ registered banks	2,044	2,227
Government, Local Authority and State Owned Enterprises	4,626	3,469
Listed Multilateral Development Banks and other international organisations	5,891	6,928
Other corporate investments	2,002	2,365
Receivables	333	743
	14,896	**15,732**

21. Interest Rate Repricing Profile

The following tables include the Company's financial assets and financial liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

31 March 2022	Within 3 months $000	3-6 months $000	6-12 months $000	1 – 2 years $000	Over 2 years $000	Non-interest bearing $000	Total $000
Cash and cash equivalents	236	-	-	-	-	-	236
Fair value through OCI investments	26	-	-	846	5,382	-	6,254
Fair value through profit or loss investments	2,150	1,702	1,103	1,307	1,811	-	8,073
Receivables	-	-	-	-	-	333	333
Total financial assets	**2,412**	**1,702**	**1,103**	**2,153**	**7,193**	**333**	**14,896**
Trade and other payables	-	-	-	-	-	1,066	1,066
Outstanding claims provision	550	379	-	-	-	425	1,354
Total financial liabilities	**550**	**379**	-	-	-	**1,491**	**2,420**
Total interest rate sensitivity gap	**1,862**	**1,323**	**1,103**	**2,153**	**7,193**	**(1,158)**	**12,476**

31 March 2021	Within 3 months $000	3-6 months $000	6-12 months $000	1 – 2 years $000	Over 2 years $000	Non-interest bearing $000	Total $000
Cash and cash equivalents	442	-	-	-	-	-	442
Fair value through OCI investments	24	-	-	314	5,911	-	6,249
Fair value through profit or loss investments	1,816	1,205	1,313	1,772	2,192	-	8,298
Receivables	-	-	-	-	-	743	743
Total financial assets	**2,282**	**1,205**	**1,313**	**2,086**	**8,103**	**743**	**15,732**
Trade and other payables	-	-	-	-	-	1,054	1,054
Outstanding claims provision	696	666	-	-	-	482	1,844
Total financial liabilities	**696**	**666**	-	-	-	**1,536**	**2,898**
Total interest rate sensitivity gap	**1,586**	**539**	**1,313**	**2,086**	**8,103**	**(793)**	**12,834**

22. Contractual Maturity Analysis

The following tables analyse the Company's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The figures reported include interest and principal cash flows expected to maturity, as well as the commitment to make amounts available in instalments. The total amount is different from the amount on the Balance Sheet as the cash flows shown below are undiscounted cash flows.

31 March 2022	On demand $000	Within 6 months $000	6-12 months $000	1 – 2 years $000	Over 2 years $000	No maturity $000	Total $000
Cash and cash equivalents	236	-	-	-	-	-	236
Fair value through OCI investments	-	74	48	944	5,781	-	6,847
Fair value through profit or loss investments	-	3,897	1,133	1,355	2,619	-	9,004
Receivables	-	333	-	-	-	-	333
Total financial assets	**236**	**4,304**	**1,181**	**2,299**	**8,400**	**-**	**16,420**
Trade and other payables	-	1,066	-	-	-	-	1,066
Outstanding claims provision	-	-	-	-	-	425	425
Total financial liabilities	**-**	**1,066**	**-**	**-**	**-**	**425**	**1,491**

31 March 2021	On demand $000	Within 6 months $000	6-12 months $000	1 – 2 years $000	Over 2 years $000	No maturity $000	Total $000
Cash and cash equivalents	442	-	-	-	-	-	442
Fair value through OCI investments	-	66	42	383	5,687	-	6,178
Fair value through profit or loss investments	-	3,046	1,305	1,739	2,761	-	8,851
Receivables	-	743	-	-	-	-	743
Total financial assets	**442**	**3,855**	**1,347**	**2,122**	**8,448**	**-**	**16,214**
Trade and other payables	-	1,054	-	-	-	-	1,054
Outstanding claims provision	-	-	-	-	-	482	482
Total financial liabilities	**-**	**1,054**	**-**	**-**	**-**	**482**	**1,536**

23. Commitments

The Company had no capital or operating lease commitments as at 31 March 2022 (31 March 2021: Nil).

24. Contingent Liabilities

The Company had no material contingent liabilities at 31 March 2022 (2021: Nil).

25. Subsequent Events

There were no events subsequent to the reporting date which would materially affect the financial statements.

Independent Auditor's Report

To the shareholder of Co-operative Life Limited

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements of Co-operative Life Limited (the 'company') on pages 1 to 22:

i. present fairly in all material respects the company's financial position as at 31 March 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

— the balance sheet as at 31 March 2022;

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

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

Basis for opinion

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

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

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

Our firm has also provided other services to the company in relation to reasonable assurance engagement on Solvency return. Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

Key audit matters

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

KPMG

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

Valuation of Life insurance net policy liabilities (31 March 2022: $758,000)

The key audit matter

Refer to Note 13 to the Financial Statements.

Valuation of Life insurance net policy liabilities is a key audit matter due to the judgement required in projecting the net future cash flows plus a profit margin.

Policy liabilities arising from insurance contracts are calculated using actuarial methodologies whereby planned profit margins and an estimate of future liabilities are calculated separately for each product using best estimate assumptions at each reporting date, which requires a level of judgement.

Specific audit and actuarial expertise are required to evaluate complex actuarial methodologies and assumptions.

The company engages an independent Appointed Actuary to determine the assumptions and perform the calculations used in the actuarial models.

The key assumptions involved in the valuation of the policy liabilities include:

- discount, inflation and tax rates.
- mortality and morbidity experience on the life insurance products.
- cancellation rates experience of recent and expected future cancellations for the Life Plus and Loan Instalment Care products.
- surrender volume and values experience of recent and expected future volume for the Loan Plus product.
- administration costs being the cost of providing benefits and administering the insurance contracts.
- projection of premiums, reinsurance premiums and reinsurance recoveries.

How the matter was addressed in our audit

Our audit procedures included:

- Assessing the effectiveness of controls around the authorisation and set up of new policies and authorisation of claim payments.
- Checking the completeness and accuracy of the data used in the valuation process.
- Checking that information in the actuarial valuation report is consistent with the information disclosed in the financial statements.
- Evaluating the work of the Company's independent Appointed Actuary as well as his competence and objectivity.
- Using our actuarial specialist to assess the appropriateness of any valuation model changes and the change control processes surrounding any changes.
- Using our actuarial specialist to challenge the actuarial methods and key assumptions used in the valuation by comparing key assumptions and expected experience to:
  - actual historical experience;
  - observable market data, including industry average and experience for certain classes of business and assumptions; and
  - actuarial and accounting standard requirements.
- Using our actuarial specialist to assess the historical accuracy of the estimate by testing the "analysis of profit", which compares the Company's expected profit to actual profit. This included challenging the "analysis of profit" compared with our understanding of the business and emerging claims and lapse experience.

Use of this independent auditor's report

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

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

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

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/

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

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

For and on behalf of

KPMG

KPMG
Wellington

8 June 2022

Davies Financial and Actuarial Limited

31st May 2022

To: The Directors
Co-operative Life Limited

From: Peter Davies
Appointed Actuary

Re: Co-operative Life Limited: 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 Co-operative Life Limited as at 31st March 2022. "Actuarial information" includes the following:

    - policy liabilities;
    - 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 policy liabilities, and other disclosures.

2. No limitations have been placed on my work.

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay 0632 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz
P.O. Box 35-258, Browns Bay, Auckland 0753 home page: www.actuary.co.nz

3. I am independent with respect to Co-operative Life Limited 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.

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. Co-operative Life Limited's solvency margin as at 31st March 2022 exceeded the minimum requirement of the RBNZ Solvency Standard for Life Insurance Business 2014, issued in terms of the Insurance (Prudential Supervision) Act. The Company's Statutory Fund, and its Shareholder fund, were each independently solvent at that date.

   I have carried out a 4-year projection of the Company's solvency position, which includes the payment of regular dividends out of future profits. The Company is projected to exceed the minimum RBNZ solvency requirements at all times over this period. While the legislation prescribes a 3-year projection period, the nature of the representations made to the RBNZ effectively require a 4-year forecast.

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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