Annual Report 2022

accuro
HEALTH INSURANCE

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Board of Directors

Marion Guy (Chair) (elected)

Gareth Fleming (Deputy Chair) (appointed)

Robyn Byers (elected)

Karolyn Kerr (elected)

Erica Hodgson (elected)

Richard Kirkland (appointed)

Joy Tracey (appointed)

Chief Executive Officer

Lance Walker

Actuary

Peter Davies B.Bus.Sc, FIA, FNZSA

Solicitor

Mahony Horner Lawyers

Banker

Westpac New Zealand

Auditor

EY, Wellington

Registered office

Level 3, 17 Whitmore Street

Wellington

Incorporation

Industrial and Provident Societies Act 1908

From the **Chair**

I am pleased to present my chairpersons report for 2022. It has been another year impacted by the effects of Covid. Just when we thought it was waning, we then endured another year of new variants, lockdowns, vaccine mandates, boosters, passports and traffic lights which dominated our workplace activities. Thankfully, with final restrictions now removed, it does appear that we are returning to something closer to normality, and can look forward to the year ahead with more certainty.

Like all organisations, we have had to cope with the pressures caused by these issues and in particular resourcing strains due to Covid related illness and absences. At the same time we have been undertaking our biggest IT project in the last 10 years – the rebuild of our core policy administration system. We know that the combination of these two factors has led to our servicing levels not always meeting the expectations that you have of Accuro, or indeed the standards we set for ourselves. However, throughout this period the Accuro team have remained committed to supporting you, our 34,400 members, and have worked tirelessly to continue delivering to our purpose: to help our members get well and stay well.

This was also a significant year for our governance with the new Society Rules taking effect from the 1st of March. These updated Rules ensured that our operations meet the heightened expectations of our regulators and reflect governance best practice. The new Rules were also significant in that they changed the legal name of the Society from Health Services Welfare Society to Accuro Health Insurance Society. In many ways this change represents the culmination of a transition that first started in 1991 when our ownership structure changed from the health boards and unions to members, and continued through 2007 when the Accuro brand was launched and we opened up membership to all New Zealanders.

While this has been a challenging 12 months at times, I'm pleased to report that we end the year in a strong financial position which means we are well placed to cope with continued uncertainty in the health system, the impact of inflationary pressures and volatile investment markets. Ensuring that we are financially sustainable is an important priority for the Board. In the year ahead, the Board is also focused on ensuring we continue to operate in line with the evolving regulatory obligations set by the FMA and RBNZ – including those contained in the new Conduct of Financial Institutions (CoFI) legislation.

I would like to take this opportunity on behalf of the Board to thank our CEO for his expert guidance and our team for their resilience and hard work over the last 12 months. I also acknowledge the support and contribution of my fellow Board members and the diligent way that they govern the Society on your behalf. As we often say, Accuro may not be the biggest health insurer in New Zealand – but we will always endeavour to be New Zealand's **best little** health insurer.

M Guy

Marion Guy
Chair of the Board

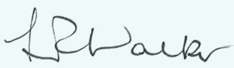
From the Chief Executive

On behalf of the Accuro team, I am pleased to once again present a report that demonstrates a successful year for the Society. We have grown our membership on the back of strong demand for health insurance and excellent retention rates, we have grown our brand awareness and we have continued to maintain high levels of customer satisfaction despite some challenging circumstances. At the same time, we have been undertaking significant change within the organisation as we adapt to a changing regulatory environment, build new capability within our team, review our ways of operating and rebuild our core policy administration system. All of which set us up for a strong and sustainable future.

We are also aware however that change can be difficult – both for our people and our customers. We have asked a lot of our team over the last 12 months in an environment which has been challenging and resource constrained. We know that at times this has meant that our customer delivery has also been compromised. I would like to thank you for your patience as we have navigated our way through this situation. We have also been proactive in addressing historical issues that may have impacted on members, and will continue to do that as part of our commitment to ensuring good customer outcomes.

Financially, the Society has made a higher surplus this year due largely to the impact of Covid on the health system which constrained capacity in the private system, just as it did in the public system. We therefore saw several months this year where the claims we paid out were lower than budgeted because surgeries and medical procedures were not able to be performed. However, this has started to reverse in recent times and in the last quarter we saw claims ahead of budget in each of those 3 months. We ended the year having paid out over $26m in claims. While it is difficult to predict what will happen in the next 12 months, the surplus achieved in 2022 will give us added capital resiliency if claims do indeed continue to be higher in 2023, especially in the face of increasing treatment and provider costs and uncertain investment conditions.

As we move into the new financial year, we are looking forward to the launch of our new Policy Administration System which will reduce a number of operational barriers we face, improve the customer experience, and allow us to explore new products, services and active benefits. While this project has taken longer than originally planned, I am excited about the opportunities it creates. That said, it is of course only an enabler. The real potential for Accuro continues to rest in the people who make up our team. We are small – just 38 of us, but we are all committed to doing the very best for all the members of our Accuro whānau. On behalf of the team, thank you for choosing Accuro to be your health insurer.



Lance Walker
Chief Executive Officer

2022 at a glance

34,438

ACCURO MEMBERS IN FY2022
4.5% GROWTH OVER 2021

$26M

PAID IN CLAIMS*

95%

OF CLAIMS ACCEPTED

17,311

CLAIMS PAID

*excludes reserving

TOP 4 TYPES OF CLAIMS PAID IN DOLLAR VALUE

$1.3M

PAID IN COLONOSCOPIES

$1.1m

PAID IN HIP REPLACEMENTS

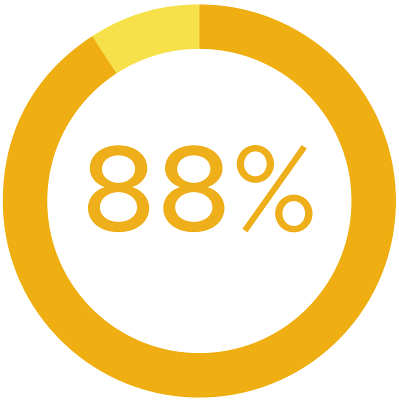
$1.3M

PAID IN KNEE REPLACEMENTS

$869K

PAID IN CHEMOTHERAPY

CUSTOMER SATISFACTION



CUSTOMER SATISFACTION

+54

ACCURO NET PROMOTER SCORE

CLAIMS SUBMITTED ONLINE

PREFERENCE TO SUBMIT CLAIMS online

HAS INCREASED OVER THE YEARS

36%	44%	51%
2020	2021	2022

Ratio of members submitting claims via the membership portal

ACTIVE BENEFITS

careHQ

Tinnibot

NEW ACTIVE BENEFITS IN FY22

accuro Virtual Clinic

291 EXPERT MEDICAL OPINIONS

accuro Health Hub

2,502 USERS

SkinVision

63 HIGH RISK SKIN SPOTS FOUND

436

FREE BOWEL TESTING KITS DELIVERED

Accuro Partners with
Life Flight Trust

At the end of 2021, we announced our partnership with Life Flight Trust as the principal Air Ambulance supporter.

"We are delighted in Accruo's 50th anniversary year to be onboard as the principal supporter of Life Flight's air ambulances. It's a great fit as both our organisations have been dedicated to achieving the best health outcomes for Kiwis for close to 100 years collectively. I would encourage all New Zealanders to support the fabulous work Life Flight do."

- Lance Walker, CEO Accuro Health Insurance

"Our air ambulances are basically flying ICUs, transporting critically ill Kiwis 24/7 to the specialist hospital treatment they urgently need. This new partnership with Accuro for the specialist teams on board our two planes is excellent news and helps encourage further vital support after a challenging year for charities."

-Mark Johnston, Life Flight Trust Chief Executive

Board of **Directors**

Marion Guy | Chair

RN, BN, PG Dip, MN, QSO, MInstD

Marion is the current chair of Accuro Health Insurance. She has had two terms on the board of Accuro holding positions of director and deputy chair during this time.

Marion has had 30 years of experience in governance covering a range of small, medium and large boards across the health sector in private, public and not-for-profit entities. These include being a member of the National Health Board, President of the New Zealand Nurses Organisation, Board member of the Bay of Plenty DHB and Board member of the International Council of Nurses.

As a registered nurse Marion has a broad knowledge of New Zealanders' health requirements and health needs that could benefit from easier and early access to health care. Marion was awarded the Queen's Service Order in 2010 for her services to Nursing.

Board of **Directors**

Gareth Fleming

BA, DipBanking, MBA, MInstD

Gareth is Chief Financial Officer at Wellington based investment management group Implemented Investment Solutions, following a 20+ year career as a senior executive in the banking and insurance industry. This included 9 years at the customer owned Co-operative Bank where he played a leading role in the transformation of PSIS to The Co-operative Bank and also led the Life insurance business. Somewhat uniquely, Gareth has a background in strategy, product and marketing leadership as well as finance. He uses this diverse background to help grow the ISS Group businesses from start-up to their currently successful scale.

Robyn Byers

BA, MA (Hons), DipClinPsych, DipEd, Cert Health Mgmt, MinstD

Robyn is a registered Clinical Psychologist with extensive experience as a clinician, manager and auditor in Mental Health, Addictions and Mental Health of the Older Person. As General Manager, she was responsible for planning and funding, service provision, monitoring and audit for Mental Health Promotion, Primary Mental Health, Specialist Mental Health and Non-Government Organisations in Nelson Marlborough. For fourteen years she taught Health Management at Nelson Marlborough Institute of Technology, and Social Sciences at its School of Nursing. She also ran her own quality consultancy business. Robyn is currently General Manager of the DAA Group, a designated audit agency who audit the clinical quality of health services throughout the country. She has extensive regional, national and international involvement speaking at conferences, and on various working parties and reference groups for the Ministry of Health and regional governance bodies. She was a Deputy Chair and a Trustee of the Mental Health Foundation for twelve years.

Joy Tracey

CA, MBA (Dist), CMInstD, FCG, FGNZ

Joy is a director and business consultant specialising in governance, business strategy and performance improvement. As a CFO and company secretary she has worked for, and with, not-for-profit organisations, Crown entities, primary sector organisations, commercial manufacturing and service industries. She is a Chartered member of the Institute of Directors and a Fellow of the Chartered Governance Institute. Joy's background includes commercial chair and director roles, and Audit and Risk committee management across the private and NFP sector, and further governance roles in community, membership, arts and health organisations. She is Chair of the NZ Winston Churchill Memorial Trust, a Trustee of Wellington Rotary Charitable Trust and an active Rotarian.

Erica Hodgson

BA, BHSc(OT), PGCert Management, CMInstD

Erica is an Occupational Therapist with close to 20 years experience working in the mental health sector. Moving from frontline work to clinical education, project management and becoming Professional Advisor for NZ's largest mental health service, she has extensive experience in service delivery and quality process systems. Roles in organisational development have informed good knowledge of the healthcare sector and the diverse needs of staff and the community. She also owns OOMF!, a private business providing supervision and coaching to develop reflective practice and build expertise in managers and leaders. Over the last seven years she has been board chair and also led quality assurance and remuneration subcommittees for Connect Supporting Recovery, Ember Services Ltd and the Occupational Therapy Board.

Board of **Directors**

Karolyn Kerr

PhD, RGON, FAIDH, MInstD

Karolyn is director and owner of Illuminare. Illuminare provides digital health, data management, data governance and data quality strategic planning services to a range of clients, including government and private organisations. Karolyn is currently working for IHC Group developing their data and business intelligence programme to a more mature state. Karolyn began her career as a nurse, training in New Zealand and the UK and specialised in Coronary Care nursing and research before studying Health Informatics. Having completed a Masters in Telehealth, Karolyn began working at the Ministry of Health. Here she completed a PhD in data quality, developing a national strategy for data quality for the health sector. Karolyn was Chair of Health Informatics New Zealand and a Fellow of the Australasian Institute for Digital Health.

Richard Kirkland

CA, CFA, MBA, MInstD

Richard is a seasoned risk professional, and adviser to boards and executive management. His consulting experience spans multiple jurisdictions, including Australia, New Zealand and wider Asia-Pacific in the fields of strategic risk, regulation (prudential and conduct), Enterprise Risk Management, credit, liquidity and operational risk, capital solvency management, policy and corporate governance.

He has held senior management positions in banking, development finance, insurance and reinsurance. He is a member of the XRB's NZ Auditing and Assurance Standards Board (NZAuASB), a director of Booster Investment Management Limited, a director of a climate change risk consulting practice and a company specialising in financial markets conduct regulatory matters.

Statement of Corporate Governance

Board of Directors

The Board of Directors is the governing body of Accuro and consists of four elected Directors and up to three co-opted/appointed Directors. Directorships are for three-year terms, with a maximum of three terms. The two key establishing and guiding documents for Accuro are the Rules of the Society (which establishes the Board and its powers) and the Governance Charter (which regulates and guides its function). Subject to these, the Board's functions are to manage, direct, and supervise the operation and affairs of the Society

As at 31 August 2022, the Board comprised of: elected Directors Marion Guy (Chair), Robyn Byers (People and Culture Committee Chair), Karolyn Kerr, Erica Hodgson; and appointed Directors Gareth Fleming (Deputy Chair), Joy Tracey (Risk, Audit, Investment and Compliance Committee Chair), and Richard Kirkland.

All current Directors have been assessed by the Board in accordance with the Society's Fit and Proper Person policy and have been certified as meeting the Reserve Bank of New Zealand's Fit and Proper standard for Directors of Licensed Insurers.

Governance framework

In conjunction with management, the Board operates under a number of statutory obligations. The primary legislative requirements for Accuro are contained in, but not limited to, the Industrial and Provident Societies Act 1908, the Financial Reporting Act 2013, the Financial Markets Conduct Act 2013, and the Insurance (Prudential Supervision) Act 2010.

The Board has adopted a governance framework that is appropriate for the size and nature of the Society's operations. The Board seeks to ensure that its principles, policies and practices are consistent with the Reserve Bank of New Zealand's Governance Guidelines for licensed insurers, the Financial Markets Authority Corporate Governance Principles and Guidelines, and Code of Practice for Directors from the Institute of Directors.

The governance framework in association with Accuro's risk management framework ensure that Accuro's processes and policies are aligned to ensure compliance with legislative requirements.

The Board and Management Team are governed by the overarching Governance Charter (2022). The Governance Charter represents a transparent set of standards under which Accuro operates and includes the Code of Ethics, Fit and Proper Policy, Conflicts of Interest and Delegations.

Board meetings and standing committees

The Board meets at least once per financial quarter to review and discuss Accuro's affairs, monitor performance and strategic developments.

The Board has established two standing committees:

A Risk, Audit, Investment and Compliance Committee (RAIC), which is tasked with risk and investment oversight, regulatory compliance and conduct monitoring. The RAIC Committee also functions as the audit committee for Accuro. The RAIC Committee operates on a quarterly basis, in between Board meetings. The RAIC Committee is responsible for informing the Board of all matters arising from its remit and is governed by its responsibilities as set out in the Governance Charter and the RAIC Committee Terms of Reference.

A People and Culture Committee (PCC), which meets at least twice per year. This replaced the previous Chief Executive Employment Committee (CEEC) from December 2021. It is responsible for overseeing human resources strategies, policies and practices and ensuring these are appropriate and fit for purpose. The PCC is also responsible for assisting the Board with the employment, performance management and remuneration of its Chief Executive Officer. The PCC responsibilities are set out in the Governance Charter and the PCC Terms of Reference.

In addition, an Appointments Committee (AC) has been established to meet from time to time to assist the Board in carrying out its responsibilities with regards to the appointment of fit and proper and appropriately qualified elected and co-opted/appointed Directors. The AC's responsibilities are set out in the Governance Charter and the AC Terms of Reference.

Board and Standing Committee meeting attendance

The individual attendances of Directors at Board and Standing Committee Meetings for the 2022 financial year are as follows:

	BOARD	RAIC	PCC/CEEC*
Tony Haycock (Directorship ended December AGM 2021)	1	–	–
Marion Guy	5	3	4
Joy Tracey	5	4	–
Robyn Byers	5	–	4
Karolyn Kerr	5	4	–
Erica Hodgson (on RAIC until December 2021 then moved to PCC)	5	1	2
Gareth Fleming (on RAIC until December 2021 then moved to PCC)	5	1	2
Richard Kirkland (appointed December 2021)	4	3	–
Total meetings held	**5**	**4**	**4**

*Includes two Chief Executive Employment Committee meetings prior to the establishment of the People and Culture Committee in December 2021

Financial statements

Statement of comprehensive revenue and expenses

For the year ended 31 August 2022

	NOTES	2022 $000	2021 $000
Premium revenue		39,273	34,910
Claims expense	5, 13c	(27,705)	(26,286)
Underwriting surplus		**11,568**	**8,624**
Operating expenses	2	(6,751)	(6,593)
Direct selling expenses		(3,013)	(2,460)
Investment income /(expense)	3	(314)	569
Other income	4	166	162
Surplus attributed to members		**1,656**	**302**
Other comprehensive revenue or expense		–	–
Total comprehensive revenue or expense attributed to members		**1,656**	**302**

Statement of changes in equity

For the year ended 31 August 2022

	2022 $000	2021 $000
Opening retained earnings	**10,116**	**9,814**
Surplus attributed to members	1,656	302
Total comprehensive revenue or expense attributed to members	**1,656**	**302**
Closing retained earnings	**11,772**	**10,116**

Statement of financial position

For the year ended 31 August 2022

	NOTES	31 August 2022 $000	31 August 2021 $000
Assets			
Cash and cash equivalents	6	4,925	4,374
Inventory		2	3
Premium and other receivables	7	2,149	1,887
Investments	8	12,082	11,614
Plant and equipment	9	158	95
Intangible assets	10	3,556	1,256
Total assets		**22,872**	**19,229**

Liabilities			
Trade and other payables	11	1,056	1,106
Employee benefits	12	258	206
Unearned premium liability	13d	5,451	4,749
Provision for outstanding claims	13b	4,334	3,052
Total liabilities		**11,099**	**9,113**
Net assets		**11,772**	**10,116**
Represented by			
Retained earnings		**11,772**	**10,116**

Marion Guy
Chair

21 October 2022

Joy Tracey
RAIC Chair

21 October 2022

Statement of cash flows

For the year ended 31 August 2022

	NOTES	2022 $000	2021 $000
Cash flows from operating activities			
Cash receipts from customers		39,934	35,336
Cash paid as claims		(26,423)	(26,531)
Cash paid to suppliers and employees		(9,717)	(8,571)
Investment income		219	299
Net cash flows from operating activities	**16**	**4,013**	**533**
Cash flows from investing activities			
Proceeds from sale of investments		3,479	3,534
Acquisitions of investments		(4,482)	(1,064)
Acquisitions of software		(2,358)	(1,198)
Acquisitions of plant and equipment		(101)	(46)
Net cash flows used in investing activities		**(3,462)**	**1,226**
Net increase/(decrease) in cash and cash equivalents		**551**	**1,759**
Opening cash and cash equivalents		4,374	2,615
Closing cash and cash equivalents		4,925	4,374

Notes to the financial statements

1. Statement of accounting policies

Reporting entity

Accuro Health Insurance Society Limited, trading as Accuro Health Insurance (Accuro) is registered under the Industrial and Provident Societies Act 1908. Accuro is incorporated in New Zealand and is exempt from income tax. With effect from 1 March 2022, the legal name of the entity was changed from Health Service Welfare Society Limited to Accuro Health Insurance Society Limited.

Accuro is domiciled in New Zealand. The registered office and principal place of business is Level 3, 17 Whitmore Street, Wellington.

The financial statements of Accuro have been prepared according to the Financial Markets Conduct Act 2013. Accuro is an FMC Reporting Entity for the purposes of the Financial Market Conduct Act 2013. Accuro is required to be fully licensed under section 19 of the Insurance (Prudential Supervision) Act 2010. On 11 June 2013, Accuro was licensed by the Reserve Bank of New Zealand (RBNZ).

Accuro is a Tier 1 entity for reporting purposes.

Nature of the business

The purpose of the Society as stated in the Society Rules is to help members get well and stay well by carrying on an insurance business for the benefit of its members. The principal activity of Accuro is to provide hospital, surgical, specialist and medical benefits and bereavement grants to members.

Basis of preparation

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements comply with Public Benefit Entity Accounting Standards (PBE Standards), as appropriate for Tier 1 not-for-profit public benefit entities.

The financial statements were approved by the Board of Directors on 21 October 2022.

When presentation or disclosure of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures have been restated to ensure consistency with the current period unless it is impractical to do so.

Accounting standards issued but not yet effective

PBE FRS 48 “Service Performance Reporting” which is only effective for reporting periods beginning on or after 1 January 2022 will result in the disclosure of service performance information. Accuro is currently assessing the impact of the standard and compiling comparative reporting for implementation next year.

A new standard, PBE IFRS 17 “Insurance Contracts”, was first issued in July 2019 and amended in August 2020. It will take effect for reporting periods beginning on or after 1 January 2023. This replaces PBE IFRS 4 Insurance Contracts. An assessment of the impact is underway as part of Accuro’s implementation project. Whilst we do not anticipate any material overall impact, significant changes in the presentation and disclosure of Accuro’s financial statements are anticipated, with new line items included in the Statement of comprehensive revenue and expenses and Statement of financial position.

The RBNZ has released two drafts of an Interim Solvency Standard (ISS) which includes changes related to the implementation of NZ PBE IFRS17. The final ISS should be published in September 2022 and will come into force on balance dates on or after 1 January 2023. Accuro has assessed the impact of the draft ISS on our solvency position and operational/system requirements and awaits the final version for reassessment.

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes most of PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IPSAS 41 also supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although Accuro has not fully assessed the effect of the new standard, it does not expect any significant changes as requirements are similar to PBE IPSAS 29.

Basis of measurement

The financial statements are prepared on a historical cost basis except the following; insurance contract liabilities, which are measured on an actuarial basis described in note 13 and Financial Instruments which are measured at fair value as described in the Investments notes 3 and 8.

Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is Accuro's functional and presentation currency.

All financial information presented has been rounded to the nearest thousand dollars, unless otherwise stated.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 13 Insurance contract liabilities

The accounting policies set out below have been applied consistently by Accuro to all periods presented in these financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits that are subject to an insignificant risk of changes in their fair value and are used by Accuro in the management of its short-term commitments.

Under the PBE Standards definition of financial assets, cash and cash equivalents are classified as loans and receivables.

Premiums and other receivables

Premiums and other receivables are financial assets which are recognised initially at fair value plus any directly attributable transaction costs, less any impairment losses. Impairment losses for uncollectable premiums are expensed in the year in which the impairment occurs.

Under the PBE Standards definition of financial assets, premiums and other receivables are classified as loans and receivables.

Investments

Accuro invests a significant portion of its reserves in a number of fixed interest and equity investments through Jarden Securities Limited in line with the Board approved Statement of Investment Policy Objectives (SIPO).

FINANCIAL ASSETS AT FAIR VALUE THROUGH SURPLUS OR DEFICIT

Fixed interest assets (including term deposits) and investments in equities are recorded in the Statement of financial position at fair value and are subsequently measured at fair value and the changes in fair value are recognized in the Statement of comprehensive income. Fair value gain or loss excludes interest and dividend income.

The fair values of financial assets designated at fair value through surplus or deficit are determined as;

- The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

- Where no market price is available, a yield to maturity valuation is done based on securities of a similar type or duration.

Plant and equipment

Items of plant and equipment are measured at cost, less accumulated depreciation and impairment losses.

Plant and equipment is predominately leasehold improvements, office furniture and IT equipment such as laptops and phones.

Depreciation of plant and equipment is recognised in the Statement of comprehensive revenue and expenses on a straight-line basis over the estimated useful lives of each component of the asset as follows:

Computer equipment	17–40% per annum, 2.5–6 years
Other fixed assets	17–33% per annum, 3–6 years
Leasehold improvements/furniture	Based on remaining lease term, 2–9 years

The estimated useful life of assets, their residual value and depreciation method are reassessed annually.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

Intangible assets (software) are currently amortised over the expected economic life of the software which is 2.5-5 years (20-40%) on a straight-line basis. The new policy administration system life is yet to be confirmed but expected to be longer than the current amortisation period.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when Accuro can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention and ability to complete and use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of the expected future benefit. During the period of development, the asset is tested for impairment annually

Inventories

Inventories are stated at cost, determined on a first-in-first-out basis, and includes expenditure incurred in acquiring the inventories, conversion costs or other costs incurred in bringing them to their existing location and condition.

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

Accuro has determined that all health insurance policies provided to members are insurance contracts.

Impairment

Accuro assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Accuro estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the Statement of comprehensive revenue and expenses in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, Accuro estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of comprehensive revenue and expenses.

Income recognition

PREMIUMS

Gross earned premiums from insurance contracts are recognised evenly over the period of cover for the contract.

Revenue is recognised on the date from which the policy is effective. Premiums billed but unearned are recorded as an unearned premium liability in the Statement of financial position.

FEES AND OTHER INCOME

Fees and other income are recognised as income at the point at which the related services are performed.

INVESTMENT INCOME

Investment income includes fair value change of fixed interest investments at fair value through the surplus or deficit. Dividend revenue is recognised when the right to receive payment has been established.

Leases

Accuro as a lessee classifies its leases as operating leases where they do not substantially transfer all the risks and rewards incidental to ownership.

Payments made under operating leases are recognised on a straight-line basis over the term of the lease in the surplus or deficit.

Any inducement payments received as part of an operating lease agreement are deferred and recognised on a straight-line basis over the term of the lease.

Policy acquisition costs

Acquisition costs incurred in obtaining and recording insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the surplus or deficit in subsequent reporting periods. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of incidence of risk under the related insurance contracts.

Trade and other payables

Trade and other payables are categorised as other financial liabilities. Trade and other payables are recognised initially at fair value net of any directly attributable transaction costs. Subsequently, trade and other payables are measured at amortised cost, using the effective interest rate method. All liabilities are paid on or before the due date.

Claims expense

The claims expense represents payments made on claims and the movements in the outstanding claims and unexpired risk provisions (as described below).

Provisions

A provision is recognised when Accuro has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market rates and, where appropriate, the risks specific to the obligation.

Outstanding claims provision

A central estimate is made of claims reported but not paid and claims incurred but not received.

The liability for outstanding claims includes expected claim payment plus associated claims handling costs as disclosed in note 13.

Unexpired risk provision and liability adequacy test

A liability adequacy test is performed to assess whether there is any deficiency in the unearned premium liability arising from expected claims and administration costs during the period covered by the unearned premium.

The test is performed on all the policies as a whole, as risks are broadly similar and are managed together as a single portfolio. The central estimate of claims and administration expenses is calculated. The total is compared with the unearned premium liability. Any deficiency is recognised as an expense in the Statement of comprehensive revenue and expenses.

Employee entitlements

Employee entitlements represent an accrual for the current obligation to employees in respect of outstanding salaries, leave entitlements and other short-term benefits. Short-term employee benefits are measured at the undiscounted amount expected to be paid in exchange for the employees' services received.

Income tax expense

Accuro is registered under the Industrial and Provident Societies Act 1908 with rules approved and an acknowledgement of registration dated 26 March 1991. As a not-for-profit entity operating on the principles of mutuality for its members, Accuro is recognised by Inland Revenue as being exempt from income tax.

Goods and services tax (GST)

The Statement of comprehensive revenue and expenses and the Statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

2. Operating expenses

Operating expenses include:

	2022 $000	2021 $000
Depreciation	39	29
Amortisation of intangible assets	59	228
Directors' fees	239	232
Employee benefits expense	3,466	3,102
Contributions to KiwiSaver	200	164
Rental of premises	173	168
Impairment of receivables	25	(37)
Other operating costs	2,550	2,707
Total operating costs	**6,751**	**6,593**

Independent Audit Firm's remuneration - EY

	2022 $000	2021 $000
Audit of financial statements	46	44
Audit of solvency return	6	6
Audit of Service Performance reporting	4	–
Provision of remuneration data	1	–
Total auditor's remuneration	**57**	**50**

Directors' fees and expenses (refer note 19)	2022 $000	2021 $000
Directors' fees	239	232
Directors' expenses	11	6
	250	**238**
Health insurance premium subsidy received by Directors	11	7
Health insurance claims paid to Directors	10	3

Remuneration of key management personnel	2022 $000	2021 $000
Remuneration	1,248	1,035
KiwiSaver contributions	74	55
Health insurance premium subsidies paid	35	29
Health insurance claims paid	22	5

Key management personnel included the Chief Executive Officer and the senior leadership team in 2022. This is 6.6 FTE in 2022 (2021: 6.4 FTE).

Accuro does not provide loans or advances to key management personnel. At each reporting date, the amounts outstanding to key management personnel comprise salaries and earned annual leave.

3. Investment income

	2022 $000	2021 $000
Interest Income		
Fixed interest investments - at fair value through surplus or deficit	289	276
Total Interest Income	**289**	**276**
Dividend Income		
Dividend income - at Fair Value through surplus or deficit	78	63
Total Dividend Income	**78**	**63**
Total Finance Income	**367**	**339**
Finance Costs		
Interest Expense	–	–
Financial investment expenses	(68)	(64)
Total Finance Costs	**(68)**	**(64)**

	2022 $000	2021 $000
Investments at Fair Value through surplus or deficit		
Realised gains / (losses) from revaluations and disposal	(80)	13
Unrealised gains / (losses) from revaluations and disposal	(533)	281
Total Investments at Fair Value through surplus or deficit	**(613)**	**294**

Net Investment Income	**(314)**	**569**

4. Other income

	2022 $000	2021 $000
Claims processing fees	–	102
ACC recoveries	166	54
Other Income	–	7
Total other income	**166**	**162**

5. Claims Expense

	2022 $000	2021 $000
Claims relating to risk in current year	(28,693)	(26,944)
Claims relating to risk in previous years	988	658
Total claims relating to risk	**(27,705)**	**(26,286)**

6. Cash and cash equivalents

	2022 $000	2021 $000
Held in operating bank accounts on rates ranging from 0.1-0.3% (2021: 0.1–0.5%). All cash and cash equivalents are held on call.	4,925	4,374

7. Premium and other receivables

	2022 $000	2021 $000
Premium receivables	1,399	1,298
Allowance for impairment	(70)	(47)
Net premium receivables	**1,329**	**1,251**
GST receivable	12	–
Prepayments	152	155
Deferred acquisition costs	656	481
Premium and other receivables	**2,149**	**1,887**

The fair value of premiums and accrued interest approximates the carrying amount. Receivables are a current asset. When a member is in arrears, the cover is suspended, and if they are in arrears for more than 90 days, their policy and membership lapses and the premium receivable is written off. The exception is where a payment plan is in place.

Analysis of premium receivables impairment	2022 $000	2021 $000
Opening allowance for impairment	47	84
Provision	24	–
Write-off	–	(37)
Closing allowance for impairment	**71**	**47**

8. Investments

	2022 $000	2021 $000
Financial instruments at fair value through surplus or deficit		
Term Deposits	3,071	3,188
Equity Investments	2,541	2,911
Fixed Interest Investments	6,470	5,516
Total investments	**12,082**	**11,615**

As at 31 August 2022 the average interest rate for term deposits was 2.28% (2021: 1.83%) and the average interest rate for fixed interest investments was 3.16% (2021: 3.49%).

9. Plant and equipment

	31 August 2022			31 August 2021		
	Computer and equipment $000	Other assets $000	Total $000	Computer and equipment $000	Other assets $000	Total $000
Cost	150	172	322	124	100	224
Accumulated depreciation	(104)	(57)	(164)	(89)	(39)	(129)
Closing book value	**43**	**115**	**158**	**35**	**61**	**95**
Opening balance	35	61	95	17	61	78
Additions	29	72	101	32	14	46
Depreciation	(21)	(18)	(39)	(15)	(14)	(29)
Closing book value	**43**	**115**	**158**	**35**	**61**	**95**

10. Intangible assets

	Internally developed Software	Acquired software	Work in Progress	Total
	$000	$000	$000	$000
Cost				
At 1 September 2020	1,254	97	22	1,373
Additions	5	–	1,193	1,198
Transfer to / (from) WIP	27	–	(27)	–
At 31 August 2021	**1,286**	**97**	**1,188**	**2,571**
Additions	–	–	2,358	2,358
At 31 August 2022	**1,286**	**97**	**3,546**	**4,929**
Amortisation				
At 1 September 2020	989	97	–	1,086
Amortisation	228	–	–	228
At 31 August 2021	**1,217**	**97**	**–**	**1,314**
Amortisation	59	–	–	59
At 31 August 2022	**1,276**	**97**	**–**	**1,373**
Net book value				**–**
At 31 August 2021	**69**	**–**	**1,188**	**1,257**
At 31 August 2022	**10**	**–**	**3,546**	**3,556**

Work in progress in 2022 consists of software development of the new policy administration system. This is expected to be implemented in early 2023.

11. Trade and other payables

	2022 $000	2021 $000
Trade payables	657	823
Other payables	399	283
	1,056	**1,106**

12. Employee benefits

	2022 $000	2021 $000
Employee entitlements	46	27
Annual leave	212	179
	258	**206**

13. Insurance contract liabilities

	2022 $000	2021 $000
Provision for outstanding claims (refer to note 13b)	4,334	3,052
Unearned premium liability (refer to note 13d)	5,451	4,749
	9,785	**7,801**

Assets backing insurance contract liabilities	**12,082**	**11,615**

Accuro holds a number of investments in a number of term deposits/fixed interest investments and equity investments through Jarden Securities Limited and short term deposits in financial institutions, as security over their insurance contract liabilities. The carrying value of investments that back insurance contract liabilities approximates the fair value of those assets. Assets backing insurance liabilities have been determined to be term deposits/fixed interest investments due to the similar nature of their contractual maturities and equity investments which are invested in liquid securities with minimal impact on market price.

	2022 $000	2021 $000
13a		
Central estimate	3,760	2,704
Expense margin	149	108
Risk margin	425	239
	4,334	**3,052**

13b		
Opening claims provision	3,052	3,297
Amounts utilised during the period	(1,669)	(2,347)
Reversal of unused provision	(988)	(658)
Amounts provided during the year	3,713	2,704
Movement in risk margin	186	(9)
Movement in expense margin	40	65
	4,334	**3,052**

13c		
Claims expense		
Insurance claims paid	26,423	26,531
Movement in claims provision	1,282	(245)
	27,705	**26,286**

13d		
Opening unearned premium liability	4,749	4,191
Premiums written during the year	39,975	35,467
Less premiums earned during the year	(39,273)	(34,910)
Closing unearned premium liability	**5,451**	**4,749**

Claims are predominantly short-term in nature and are generally settled within 12 months of being incurred. Accordingly, amounts are not discounted.

Capital and solvency requirement

Accuro is a registered Industrial and Provident Society. As a consequence of its legal structure, Accuro has no recourse to external capital. Accuro's solvency capital of $8.2 million (2021: $8.9 million) is equal to the net assets as disclosed in the Statement of financial position minus deductions from capital as determined by the RBNZ Solvency Standard for Non-Life Insurance Business 2014 (Solvency Standard).

As a consequence of being a fully licensed insurer, the Solvency Standard requires Accuro to retain a solvency margin of greater than zero, meaning that the actual solvency capital held exceeds the minimum solvency capital required.

	2022 $000	2021 $000
Actual solvency capital	8,217	8,860
Minimum solvency capital	4,688	4,482
Solvency margin	3,529	4,378
Solvency ratio	175%	198%

During the year ended 31 August 2022, Accuro complied with all externally imposed capital requirements.

The actual solvency capital has reduced in 2022 due to the ongoing development of the new policy administration system. This intangible is deducted from capital as per the Solvency Standard.

The Directors' policy for managing capital is to have a strong capital base to establish security for members and enable Accuro to conduct its business whilst maintaining financial soundness. Accuro has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the Solvency Standard.

The Capital Management Policy is regularly reviewed by the Directors in line with the guidelines issued by the RBNZ. It was last updated in May 2022 to include an Internal Capital Adequacy Assessment Process (ICAAP), which incorporates an internal buffer above the RBNZ minimum.

Provision for claims

An actuarial report has been obtained to assess the provisions for claims incurred but not paid (which includes claims not yet notified) at period end:

- The effective date of the assessment in the actuarial report was 31 August 2022.
- The name and qualification of the actuary is Peter Davies of Davies Financial and Actuarial Limited, Fellow of the New Zealand Society of Actuaries.
- The standards of the New Zealand Society of Actuaries were used to determine the amount of the outstanding claims liability.
- The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability.
- The actuarial report contained no qualifications.

Outstanding claims liabilities are assessed as the central estimate of the present value of expected future payments for claims incurred but not settled at 31 August 2022, whether reported or not, together with expected related claims handling costs and an additional risk margin to allow for the inherent uncertainty in the central claims estimate. The central estimate of the outstanding claims has been calculated using historical experience to determine the pattern of claims development.

The increase in the provision for outstanding claims compared to the previous year, arises from a very high claim payment month in August, higher than normal processing backlog and high variability in claim development patterns.

An analysis of the volatility of the historical experience has been used in determining the risk margin. Future volatility is assumed to be higher due to changes in processing time and potential further Covid disruptions causing a higher level of variability. A risk margin of 11% of the central estimate was established at 31 August 2022 (31 August 2021: 8.5%). The risk margin was determined with the objective of achieving at least 75% probability of sufficiency of the outstanding claims provision.

A hindsight analysis of the provision shows:

	2022 $000	2021 $000
Central estimate in previous years	2,704	2,893
Total claims made in hindsight	(1,716)	(2,235)
	988	**658**

Key assumptions

- Future patterns of claims development will be similar to historical patterns depending on the type of policy, type of claim and development month.
- Processing of claims will continue to be consistent at Accuro.
- Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims.
- Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. Claims handling costs were determined to be 4% (31 August 2021: 4%) of the underlying claims amounts based on an analysis of administration expenses.
- The expected settlement date for 93% of claims included in the liability is less than 90 days for hospital claims (31 August 2021: less than 90 days for 93% of hospital claims) and less than 11 months for 91% primary/medical claims (31 August 2021: less than 11 months for 90% of primary claims). Accordingly, expected future payments are not discounted due to the short-tail nature of the liabilities.
- The above provisions have been included in the total of claims paid and accrued in the Statement of comprehensive revenue and expenses.

Unexpired risk provision and liability adequacy test

A liability adequacy test was performed to determine whether the unearned premium liability is adequate to cover the present value of the expected future cash flows arising from rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate. The future cash flows are future claims, associated claims handling costs and other administration costs relating to the business.

If the present value of the expected future cash flows plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs, the unearned premium liability is deemed to be deficient.

An unexpired risk liability is calculated as the projected premium deficiency for current in-force business until the next policy billing date on or after 1 September 2022. There is no unexpired risk liability for the year ended 31 August 2022 (2021: nil). As at 31 August 2022, the liability adequacy test identified a surplus, therefore no deficiency in the unearned premium liability has been recognised.

The calculation of the risk margin has been based on an analysis of the volatility of historical claims experience within the time period covered by the unearned premiums. A risk margin of 7% of the present value of expected future cash flows has been applied at 31 August 2022 (31 August 2021: 7%). The risk margin was determined with the objective of achieving at least 75% probability of sufficiency of the unexpired risk liability.

KEY ASSUMPTIONS

- An average loss ratio for the remaining deferred revenue period of 74% (2021: 75%).
- An expense allowance of 10% (2021: 10%).
- A commission component of 8% of the unearned premium (2021: 8%).
- Expected future payments are not discounted due to the short-tail nature of the liabilities.

14. Risk management

Insurance risk

Accuro has adopted a risk management strategy that is set by the Board and managed operationally by Accuro staff, which provides a holistic view of risk exposure across all levels of the business. Such a strategy has allowed Accuro to run a sustainable and progressive business with a strong future.

Accuro's objectives regarding the management of risks arising from all insurance contracts is to ensure:

- There are sufficient capital reserves, over and above those set by the RBNZ, to absorb any claims volatility or solvency shocks.
- Strong underwriting that aligns with industry standards.
- A pricing strategy that covers the underlying risk of insurance products and cost of claims.
- Strong operations through robust claims and member processes.

Accuro further mitigates the risks arising from insurance contracts by structuring its investment portfolio and financial policies to allow for sufficient cash flow during periods of volatility.

Sensitivity risk represents impact of variables on Accuro's key metrics. The financial results of Accuro are primarily affected by the level of claims incurred relative to that implicit in the premiums. The assumptions used in the valuation of the outstanding claims provision directly affect the level of estimated claims incurred. The key assumptions used are detailed in note 13. The sensitivity of the outstanding claims provision to changes in the claims settlement pattern is:

	2022 $000	2021 $000
Base assumptions	4,334	3,052
Claims settlement time + 10%	5,360	3,798
Claims settlement time - 10%	3,094	2,252

Accuro's insurance risk is concentrated to that within the health insurance sector.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Accuro. Accuro's tolerance for credit quality is set out in its SIPO .

The credit quality of investment counterparties is as follows:

	2022 $000	2021 $000
AAA	631	–
AA	1,094	530
AA-	3,627	2,884
A+	335	–
A	915	1,538
A-	745	1,163
BBB+	992	1,130
BBB	919	992
Unrated	282	467
	9,540	**8,704**

The above $9.5 million is the fair value of the fixed interest and term deposit investments with Jarden Securities Limited.

The maximum exposure to credit risk at the end of the reporting period is the amount of financial assets stated in note 15.

These exposures are net of any recognised allowance for impairment losses. Accuro does not require any collateral or security to support financial assets due to the quality of the counterparty organisations.

Premium receivables are due from a very large number of counterparties, ranging from corporates to individual members. The premium receivable book is very diversified with no significant concentrations except for health professionals.

Liquidity risk

Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost.

Accuro is exposed to daily calls on its available cash resources from claims and administration expenses.

The portfolio is managed to ensure funds are available to meet such calls to cover claims and expenses at unexpected levels of demand. Liquidity risk and exposure is reviewed on an ongoing basis via Accuro's Liquidity Management Policy.

Maturity Profile of Investments

	2022 $000	2021 $000
Less than 1 Year - financial instruments at fair value through surplus or deficit		
Fixed Interest Investments	2,161	1,468
Total <1 Year	**2,161**	**1,468**
1-5 Years – financial instruments at fair value through surplus or deficit		
Fixed Interest Investments	6,725	6,139
Total 1-5 Years	**6,725**	**6,139**
5-10 Years – financial instruments at fair value through surplus or deficit		
Fixed Interest Investment	655	1,098
Total 5 – 10 Years	**655**	**1,098**
In addition to the above investments, Accuro has on-call funds of:	4,925	4,374
The contractual maturity of financial liabilities are as follows:		
Trade and other payables		
Less than 1 Year	686	849

Interest rate risk

Accuro holds term deposits and cash at call held in financial institutions. There is a risk that any movement in interest rates could have an impact on the returns from these holdings. Accuro therefore maintains a spread of maturity profiles to mitigate this risk.

Accuro also invests in fixed interest securities, with the intention to hold the investments to maturity. As a consequence, interest rate sensitivity is limited to changes in interest rates earned on these investments. Each 1% movement in interest rates up or down will equate to an increase/decrease in net surplus attributable to members of $95,407 (2021: $80,941).

Liabilities relating to non-insurance activities are of a short-term nature and are covered by cash and cash equivalents.

Equity price risk

Accuro invests in equity securities, to enable some diversification and longer-term capital growth. As a consequence, there is some exposure to equity price sensitivity. Each 10% movement in equity prices up or down will equate to an increase/decrease in net surplus attributable to members of $254,142 (2021: $291,060).

Fair Value measurement of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. The determination of the fair value of term deposits is based on discounted cash flows. The key assumption taken into consideration is the discount factor.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

For the purpose of fair value disclosures, Accuro has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. The following table provides the fair value measurement hierarchy of Accuro's assets and liabilities.

Hierarchy

	2022 $000	2021 $000
Level One		
Bonds	6,470	5,516
Equity Investments	2,541	2,911
Total Level One	**9,011**	**8,427**
Level Two		
Term Deposits	3,071	3,188
Total Level Two	**3,071**	**3,188**

15. Fair values

The estimated fair values of the financial instruments are considered to be their carrying value.

Classification and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of financial position, are as follows.

	Fair value through P&L	Loans and receivables	Other financial liabilities	Total carrying amount
2022				
Assets				
Cash and cash equivalents	–	4,925	–	4,925
Trade and other receivables	–	1,986	–	1,986
Investments	12,082	–	–	12,082
Total assets	**12,082**	**6,911**	**–**	**18,993**

Liabilities				
Trade and other payables	–	–	686	686
Total liabilities	**–**	**–**	**686**	**686**

	Fair value through P&L	Loans and receivables	Other financial liabilities	Total carrying amount
2021				
Assets				
Cash and cash equivalents	–	4,374	–	4,374
Trade and other receivables	–	1,732	–	1,732
Investments	11,615	–	–	11,615
Total assets	**11,615**	**6,106**	**–**	**17,721**

Liabilities				
Trade and other payables	–	–	849	849
Total liabilities	**–**	**–**	**849**	**849**

16. Reconciliation of surplus /(deficit) with net cash flows from operating activities

	2022 $000	2021 $000
Reported surplus (deficit)	**1,656**	**302**
Non-cash items		
Movement in impairment	25	(37)
Depreciation/amortisation expense	97	257
Movement in claims provision	1,282	(245)
Net (gains)/losses on investments at fair value through surplus or deficit	533	(281)
	3,593	**(3)**
Movements in working capital		
Premiums and other receivables	(276)	(348)
Premiums in advance	703	558
Trade and other payables	(14)	278
Employee benefits	52	38
Inventory	–	–
(Decrease)/increase in net GST	(45)	10
	419	**537**
Net cash inflow from operating activities	**4,013**	**534**

17. Operating lease obligations

	2022 $000	2021 $000
Obligations payable after reporting date on non-cancellable operating leases are as follows:		
Not later than 1 year	195	175
1–5 years	1,028	698
Later than 5 years	1,007	858
	2,230	**1,730**

The major component of Accuro's non-cancellable leases above relates to a five-and-a-half year lease at a fixed rate for the third floor of 17 Whitmore Street. This lease runs until August 2025, at which stage Accuro has one further right of renewal until the lease expires on 31 July 2031.

Capital commitments

	2022 $000	2021 $000
Capital commitments at period end	224	843

This represents capital expenditure on the policy administration system contracted for at balance date but not yet incurred.

18. Rating

Accuro's financial strength rating issued by A M Best is B+ (2021: A M Best B +).

19. Related-party transactions

Accuro's staff are all members of the Society as part of a subsidised Accuro group staff health scheme. The four elected Directors and two of the co-opted Directors are also members of the Society and receive a subsidy on their policies.

20. Covid-19 Pandemic

The ongoing response to the COVID-19 pandemic has led to a substantial reduction in economic activity throughout the world, as governments introduced measures (such as the closure of national borders, the closure of non-essential businesses, the cancellation of public events and the imposition of restrictions on individuals) in an attempt to reduce transmission of the virus.

Throughout the year ended 31 August 2022, New Zealand had multiple community outbreaks of COVID-19 and as a result, subsequently experienced heightened government restrictions and a number of extended lockdowns, especially in the Auckland region. The impact of this has been a year of volatile claims experience, resulting in materially lower claims than originally planned.

21. Subsequent events

Subsequent to 31 August 2022, a review of discounts and associated member communications has led to Accuro considering remediating members where such communication is judged to have been insufficient. As the review is ongoing, a reliable estimate is not yet available and so no provision has been made in these financial statements (2021: Nil)

22. Definitions related to the financial statements

Amortisation

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the market under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

Public Benefit Entity

Public benefit entities (PBEs) are entities whose primary objective is to provide goods or services for community or social benefit, and where equity has been provided with a view to supporting that primary objective, rather than for a financial return to equity holders.

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Independent Auditor's Report

To the members of Accuro Health Insurance Society Limited

Opinion

We have audited the financial statements of Accuro Health Insurance Society Limited ('the Society') on pages 12 to 37, which comprise the statement of financial position of the Society as at 31 August 2022, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year then ended of the Society, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 12 to 37 present fairly, in all material respects, the financial position of the Society as at 31 August 2022 and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

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

Basis for opinion

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

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

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

We provide other assurance services to the Society in relation to the Society's Solvency Return and provision of remuneration data. We have no other relationship with, or interest in, the Society. Partners and employees of our firm may deal with the Society on normal terms within the ordinary course of trading activities of the business of the Society.

Key audit matters

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

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these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Provision for outstanding claims

Why significant	How our audit addressed the key audit matter
The Society's provision for outstanding claims amounts to approximately $4.3 million at 31 August 2022 and represents 39% of total liabilities. The estimation of the provision for outstanding claims involves significant judgement and is based on an actuarial model of the expected cost of claims incurred on, or prior to, balance date as required by PBE IFRS 4 *Insurance contracts*. Assumptions included in the model can generally be categorised as either economic assumptions, such as inflation and discount rates, or non-economic assumptions relating to claims development and cost. Non-economic assumptions are often based on historical data relating to the volume, amount and pattern of claims settlement. Disclosures relating to the provision for outstanding claims, including key assumptions, are included in Note 13 to the financial statements.	Our procedures over the provision for outstanding claims included: ► Evaluating and testing key controls over the claims assessment and settlement process; ► On a sample basis, validating the costs recorded for claims closed in the year; ► Comparing the historical claims data used by the appointed actuary to the Society's systems on a sample basis; ► Using our actuarial specialists to consider the provision for outstanding claims valuation report prepared by the appointed actuary and evaluate the appropriateness of the methodologies and assumptions used in the valuation; ► Evaluating the objectivity and capability of the appointed actuary; and ► Considering the adequacy of disclosures for the provision for outstanding claims.

Information other than the financial statements and auditor's report

The directors of the Society are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

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

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

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

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the Society, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing on behalf of the Society, its 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 Society or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

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

Ernst + Young

Chartered Accountants
Wellington
28 October 2022

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HEALTH INSURANCE