nib nz limited

Annual Report
30 June 2022

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Statement of Comprehensive Income

For the year ended 30 June 2022

nib nz limited

	Notes	2022 $000	2021 $000
Premium revenue	5	308,650	278,166
Outwards reinsurance premium expenses	5	(231)	(365)
Net premium revenue		**308,419**	**277,801**
Claims expenses		(190,860)	(173,046)
Decrease in premium payback liability		7,483	2,481
Claims handling expenses	6	(2,722)	(2,726)
Net claims incurred		**(186,099)**	**(173,291)**
Acquisition costs	6	(55,938)	(45,656)
Other underwriting expenses	6	(42,093)	(33,014)
Underwriting expenses		**(98,031)**	**(78,670)**
Underwriting result		**24,289**	**25,840**
Other income	5	1,284	1,429
Amortisation of intangible assets	6	(4,321)	(4,227)
Operating profit		**21,252**	**23,042**
Finance income	5	23	-
Finance costs	6	(271)	(509)
Investment income	5	(627)	604
Investment expenses	6	(119)	(119)
Profit before income tax		**20,258**	**23,018**
Income tax expenses	7	(6,189)	(6,699)
Profit for the year		**14,069**	**16,319**
Total comprehensive income for the year attributable to:			
Owners of nib nz limited		14,069	16,319
		14,069	**16,319**

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

Statement of Financial Position

As at 30 June 2022

nib nz limited

	Notes	2022 $000	2021 $000
ASSETS			
Current assets			
Cash and cash equivalents	8	45,431	21,347
Receivables	9	3,972	3,219
Financial assets at fair value through profit or loss	10	97,054	100,836
Deferred acquisition costs	11	21,429	26,073
Current tax assets		-	890
Finance lease receivables	14	401	-
Total current assets		**168,287**	**152,365**
Non-current assets			
Deferred acquisition costs	11	13,837	11,289
Property, plant and equipment	12	1,506	1,592
Intangible assets	13	31,338	33,002
Right-of-use assets	14	1,647	3,589
Finance lease receivables	14	1,463	-
Total non-current assets		**49,791**	**49,472**
Total assets		**218,078**	**201,837**
LIABILITIES			
Current liabilities			
Payables	15	18,280	13,437
Claims liabilities	16	23,952	16,306
Unearned premium liability	17	23,070	21,761
Premium payback liability	18	3,514	8,725
Lease liabilities	14	1,223	1,188
Current tax liabilities		3,826	-
Total current liabilities		**73,865**	**61,417**
Non-current liabilities			
Claims liabilities	16	388	229
Unearned premium liability	17	1,627	1,238
Premium payback liability	18	7,966	10,238
Lease liabilities	14	3,908	4,887
Deferred tax liabilities	7	9,279	8,352
Total non-current liabilities		**23,168**	**24,944**
Total liabilities		**97,033**	**86,361**
Net assets		**121,045**	**115,476**
EQUITY			
Contributed equity	19	51,200	51,200
Retained profits		69,845	64,276
Total equity		**121,045**	**115,476**

The above Statement of Financial Position should be read in conjunction with the accompanying notes

Statement of Changes in Equity

For the year ended 30 June 2022

nib nz limited

	Notes	Contributed Equity $000	Retained Profits $000	Total Equity $000
Balance at 1 July 2020		**51,200**	**52,657**	**103,857**
Profit for the year		-	16,319	16,319
Total comprehensive income for the year		**-**	**16,319**	**16,319**
Transactions with owners in their capacity as owners:				
Dividends paid	19	-	(4,700)	(4,700)
		-	**(4,700)**	**(4,700)**
Balance at 30 June 2021		**51,200**	**64,276**	**115,476**
Balance at 1 July 2021		**51,200**	**64,276**	**115,476**
Profit for the year		-	14,069	14,069
Total comprehensive income for the year		**-**	**14,069**	**14,069**
Transactions with owners in their capacity as owners:				
Dividends paid	19	-	(8,500)	(8,500)
		-	**(8,500)**	**(8,500)**
Balance at 30 June 2022		**51,200**	**69,845**	**121,045**

Statement of Cash Flows

For the year ended 30 June 2022
nib nz limited

	Notes	2022 $000	2021 $000
Cash flows from operating activities			
Receipts from policyholders and customers		357,858	322,452
Payments to policyholders and customers		(210,778)	(211,300)
Payments to suppliers and employees		(112,909)	(98,991)
Interest received		2,267	2,368
Income taxes paid		(548)	(9,092)
Net cash inflow from operating activities	8	**35,890**	**5,437**
Cash flows from investing activities			
Proceeds from disposal of other financial assets at fair value through profit or loss		130,095	128,774
Payments for other financial assets at fair value through profit or loss		(129,210)	(132,218)
Proceeds from sale of property, plant and equipment and intangibles		37	11
Payments for property, plant and equipment and intangibles	12, 13	(3,229)	(4,031)
Net cash (outflow) from investing activities		**(2,307)**	**(7,464)**
Cash flows from financing activities			
Principal elements of lease payments		(999)	(1,159)
Dividends paid to the Company's shareholders		(8,500)	(4,700)
Net cash (outflow) from financing activities		**(9,499)**	**(5,859)**
Net increase (decrease) in cash and cash equivalents		24,084	(7,886)
Cash and cash equivalents at the beginning of the year		21,347	29,233
Cash and cash equivalents at the end of the year		**45,431**	**21,347**
Reconciliation to Balance Sheet			
Cash and cash equivalents	8	45,431	21,347
		45,431	**21,347**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting entity

nib nz limited (the Company) is a for profit company incorporated in New Zealand under the *Companies Act 1993* and is a Financial Markets Conduct (FMC) reporting entity under part 7 of the Financial Markets Conduct Act 2013. The registered office of the Company is:

Level 10, 48 Shortland Street
Auckland Central
Auckland 1010
New Zealand

The principal activity of the Company is providing health insurance.

The financial statements were authorised for issue by the Board of Directors on 18 August 2022.

b) Basis of preparation

The Company has adopted External Reporting Board Standard A1 “Application of the Accounting Standards Framework” (XRB A1). The Company applies Tier 1 as it is deemed to have public accountability as a result of being an insurance company.

The financial statements of the Company have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for profit entities that apply NZ IFRS. They also comply with International Financial Reporting Standards (IFRS). They have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss. They are presented in New Zealand dollars, which is the Company’s functional and presentation currency, and are rounded to the nearest thousand dollars.

The financial statements for the year ended 30 June 2022 are audited by our independent auditor.

c) Accounting policies

Accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. Other relevant policies are provided as follows:

i) GST

All revenues, expenses and certain assets are recognised net of goods and services taxes (GST) except where the GST is not recoverable. In these circumstances the GST is included in the related asset or expense. Receivables and payables are reported inclusive of GST. The net GST payable to, or recoverable from, the tax authorities as at balance date is included as a receivable or payable in the Statement of Financial Position.

Cash flows are presented on a gross basis. The amount of GST paid and received is included in the Statement of Cash Flows, classified as receipts from policyholders, suppliers and employees and payments to policyholders, suppliers and employees lines.

ii) Foreign exchange

In preparing the accounts of the Company, transactions denominated in foreign currencies are translated into the reporting currency using the exchange rates in effect at the transaction dates. Monetary items receivable or payable in a foreign currency are translated at reporting date at the closing exchange rate.

Translation differences on non-monetary items are reported as part of their fair value gain or loss. Exchange differences arising on the settlement or retranslation of monetary items at year end exchange rates are recognised in the Statement of Comprehensive Income.

iii) Comparatives

Where necessary, there have been minor comparative information reclassifications to achieve consistency in disclosure with the current year, with no material changes.

d) New and amended standards adopted by the Company

The Company has adopted all of the new or amended accounting standards and interpretations issued by the External Reporting Board (XRB) that are mandatory for the current reporting year, which has had no material impact.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

e) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published but are not yet effective and have not been adopted early by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

The XRB issued accounting standard NZ IFRS 17 *Insurance Contracts* (NZ IFRS 17) which is effective accounting periods beginning on or after 1 January 2023. It will be effective for the Company for the financial year ending 30 June 2024.

Measurement of insurance contracts	
Measurement models	The standard NZ IFRS 17 introduces a General Model Method (GMM) for the recognition and measurement of insurance contracts. The GMM involves estimating future cash flows and risks from existing policies and taking profit to account over the policy period, adjusting the profit over the life of the contract when actual experience varies from expected. IFRS 17 permits the use of the simplified Premium Allocation Approach (PAA) where either: • the contract boundary of each contract within the portfolio is one year or less; or • the measurement of the liability for remaining coverage at inception of a contract is not materially different than if applying GMM. The PAA operates in a manner similar to the way private health insurance contracts are accounted for under IFRS 4. The Company assessed the eligibility of contracts within the portfolio with one year or less to apply the simplified approach. Work is ongoing however it is anticipated that the Company's contracts will be eligible for the PAA. For the contracts that apply the simplified approach, the Company has the option to expense acquisition costs as incurred, as opposed to deferring and amortising acquisition costs over the coverage period of the insurance contracts which would result in the write-off of any Deferred Acquisition Costs and associated tax liabilities to retained profits on implementation. Whilst a final decision has not yet been made, the Company is considering adopting the expense as incurred approach which would result in the write-off of any Deferred Acquisition Costs and associated tax liabilities to retained profits on implementation.
Onerous contracts	NZ IFRS 17 requires the identification of 'groups' of onerous contracts which are expected to be determined at a more granular level of aggregation than the level at which the liability adequacy test is performed under NZ IFRS 4. Contracts that are measured using the simplified approach are assumed not to be onerous unless facts and circumstances indicate otherwise. No material onerous contracts have been identified based on the Company's preliminary assessment.
Presentation and disclosure	The standard introduces significant changes to the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the balance sheet and statement of comprehensive income and increased disclosure requirements compared with existing reporting requirements. Existing insurance and reinsurance contract line items on the balance sheet (including premium receivable, unearned premium liability, deferred insurance costs, gross outstanding claims and reinsurance and other recoveries on outstanding claims) will be replaced with insurance contract assets and liabilities, and reinsurance contract assets and liabilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Transition	NZ IFRS 17 will be applied retrospectively to all of nib's insurance contracts on transition except to the extent that it is impracticable to do so, in which case either a modified retrospective or fair value approach may be applied. The Company is currently performing an assessment to conclude on the expected transition approach to be applied for the business.
Financial impact	Market developments continue to be monitored in order to assess the impact of evolving interpretations and other changes. An example of such evolving interpretations is the ongoing applicability of the Provision for deferred and suspended claims on transition to IFRS 17. The financial impact of adopting IFRS 17 cannot be reasonably estimated at the date of this report.
Implementation progress	The Ultimate Parent nib holdings limited and its subsidiaries, has formed a project team to assess the impact of this change on the operations and financial statements of the business. Initial investigation into the application for the standard indicates it is likely that the Premium Allocation Approach will apply to the Company's insurance contracts. This will simplify the implementation of the standard as minimal modifications to IT systems will be required.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas in which critical estimates are applied are:

Note 11	Deferred acquisition costs
Note 13	Goodwill impairment
Note 16	Claims liabilities - Outstanding claims liability
Notes 17 and 18	Liability adequacy test
Note 18	Premium payback liability

3. RISK MANAGEMENT

The financial condition and operation of the Company are affected by a number of key risks including:

Insurance risk	Insurance risk
Financial risks	Interest rate risk (market risk) Credit risk Liquidity risk
Non-financial risks	Operational risk including conduct and culture (reputational risk) Strategic risk

The Company's Board of Directors determines the Company's overall risk appetite and approves the risk management strategies, policies and practices to ensure that risks are identified and managed within the context of this appetite.

The Board has delegated to the Board Audit, Risk & Compliance Committee the responsibility to review the system of risk management, including:

- the effectiveness of the Company's risk management framework having regard to the Company's risk management culture;
- the identification and assessment of the material risks facing the Company considered against the Company's risk appetite;
- the appropriate level of reporting on the performance and application of the risk management system throughout the Company; and
- reviews of customer complaints, having regard to the nature and reason for the complaints.

The Company's objective is to satisfactorily manage the Company's risks in line with the Board-approved Risk Management Strategy. Various procedures are in place to identify, mitigate and monitor the risks faced by the Company. Management are responsible for understanding and managing risks, including insurance, financial and non-financial risks. The Company's exposure to all high and critical risks, and other Key Enterprise Risks, is reported quarterly to the Board Audit, Risk & Compliance Committee.

The Company's Risk Management Strategy is based on a three lines of defence model. The three lines of defence model provides defined risk ownership responsibilities with functionally independent oversight and assurance.

a) Insurance risk

Description	Exposure	Mitigation
Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss from claims expenditure exceeding the amount implicit in premium income.	The Company's insurance policies provide cover for expenses incurred in the private health sector. The extent of cover is dependent on the individual policy terms and conditions and the schedule of benefits. Several risks are not insured by the Company's policies, including (but not limited to) infectious diseases, accidents (which are generally covered by the Accident Compensation Corporation) and life cover. Certain legacy policies also have premium payback benefits that allow for the return of premiums after claim payments.	The methods used to manage risks arising from insurance contracts include: • adequate controls and guidelines covering insurance processes; • ongoing monitoring of the insurance market and identification of trends; • ensuring robust claims handling processes and controls which are well documented; • ongoing review of pricing models and retention levels; • clearly defined underwriting processes and ongoing development of those involved in the underwriting process; and • robust new product development processes and controls to ensure that appropriate research and analysis has been done which ensure the anticipated claims liabilities are well understood.

3. RISK MANAGEMENT continued

a) Insurance risk continued

In addition to the risk management policies and procedures adopted to manage insurance risk, the provision of insurance is governed by the *Insurance (Prudential Supervision) Act 2010* which requires an insurer to be licenced and requires a licenced insurer to:

- maintain and disclose a financial strength rating;
- maintain a fit and proper policy, which apply to Directors and other relevant officers;
- maintain a risk management programme;
- have an appointed actuary and ensure the actuarial information contained in or used in the preparation of financial statements is reviewed by the appointed actuary; and
- maintain a solvency margin over the minimum solvency capital required under the solvency standard for non-life business issued by the Reserve Bank of New Zealand.

b) Financial risks

i) Interest rate risk

Description	Exposure	Mitigation
Interest rate risk is the risk that fluctuations in interest rates impact the Company's financial performance or the fair value of its financial instruments.	The Company's main interest rate risk arises from financial assets at fair value through profit or loss, premium payback liability (refer Note 18) and cash and cash equivalents.	The Company has adopted an investment strategy that delivers a diversified portfolio of defensive assets. Defensive assets consist of New Zealand dollar denominated New Zealand overseas fixed interest investments and cash and cash equivalents. The Company receives advice from its asset management consultant, Nikko Asset Management New Zealand Limited.

The table below summarises the sensitivity of the Company's financial assets and financial liabilities to interest rate risk:

	2022			2021		
Interest Rate Risk		-100bps	+100bps		-100bps	+100bps
	Carrying amount $000	Profit $000	Profit $000	Carrying amount $000	Profit $000	Profit $000
Financial assets						
Cash and cash equivalents	45,431	(327)	327	21,347	(154)	154
Financial assets at fair value through profit or loss	97,054	850	(823)	100,836	947	(956)
Total increase / (decrease)		**523**	**(496)**		**793**	**(802)**

3. RISK MANAGEMENT continued

b) Financial risks continued

ii) Credit risk

Description	Exposure	Mitigation
Credit risk is the risk that a counterparty will default on its contractual obligations, or from the decline in the credit quality of a financial instrument, resulting in financial loss to the Company.	The Company's exposure to credit risk arises from cash and cash equivalents, financial assets and deposits with banks and financial institutions, as well as credit exposure to policyholders or other counterparties.	For banks and financial institutions, the minimum credit rating accepted by the Company is 'AA-'. For policyholders with no external ratings, internally developed minimum credit quality requirements are applied, which take into account financial position, past experience and other relevant factors. Overall exposure to credit risk is monitored on a nib nz holdings limited Group basis in accordance with limits set by the Group's Board.

The Company's maximum exposure to credit risk without taking account of any collateral or any other credit enhancements, is as follows:

	2022 $000	2021 $000
Cash and cash equivalents	45,431	21,347
Premium receivables	2,844	2,305
Other receivables	440	543
Finance lease receivables	1,864	-
Interest-bearing securities	97,054	100,836
Total credit risk	**147,633**	**125,031**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate.

Premium and other receivables	2022 $000	2021 $000
Counterparties without external credit rating		
Group 1 - new debtors (relationship less than 6 months)	-	-
Group 2 - existing debtors with no defaults in the past	2,821	2,435
Group 3 - existing debtors with some defaults in the past	463	413
Total premium and other receivables	**3,284**	**2,848**
Cash at bank and short-term bank deposits		
AA-	45,431	21,347
Total cash at bank and short-term bank deposits	**45,431**	**21,347**
Financial assets at fair value through profit or loss		
Interest-bearing securities		
AA-	60,156	63,431
AA	5,655	9,883
AA+	891	5,147
AAA	30,352	22,375
Total financial assets at fair value through profit or loss	**97,054**	**100,836**

3. RISK MANAGEMENT continued

b) Financial risks continued

iii) Liquidity risk

Description	Exposure	Mitigation
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due, because of lack of liquid assets or access to funding on acceptable terms.	The tables below show the Company's financial liabilities by relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows.	Prudent liquidity risk management requires maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and holds a high percentage of highly liquid investments.

	≤ 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total Contractual Cash flows	Carrying amount
As at 30 June 2022	$000	$000	$000	$000	$000	$000	$000
Financial Liabilities							
Trade payables	4,001	-	-	-	-	4,001	4,001
Other payables	5,974	2,516	-	-	-	8,490	8,490
Intercompany payables	4,076	-	-	-	-	4,076	4,076
Lease liabilities	102	204	945	4,444	-	5,695	5,131
	14,153	**2,720**	**945**	**4,444**	**-**	**22,262**	**21,698**

	≤ 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total Contractual Cash flows	Carrying amount
As at 30 June 2021	$000	$000	$000	$000	$000	$000	$000
Financial Liabilities							
Trade payables	2,364	-	-	-	-	2,364	2,364
Other payables	5,435	1,700	-	-	-	7,135	7,135
Intercompany payables	2,676	-	-	-	-	2,676	2,676
Lease liabilities	99	199	917	5,235	460	6,910	6,075
	10,574	**1,899**	**917**	**5,235**	**460**	**19,085**	**18,250**

4. FAIR VALUE MEASUREMENT

a) Fair value hierarchy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

NZ IFRS 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3	Inputs for the asset or liability that are not based on observable market data

The following tables present the Company's assets measured and recognised at fair value:

As at 30 June 2022	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets				
Financial assets at fair value through profit or loss				
Interest-bearing securities	55,814	37,767	3,473	97,054
Total assets	**55,814**	**37,767**	**3,473**	**97,054**

As at 30 June 2021	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets				
Financial assets at fair value through profit or loss				
Interest-bearing securities	57,365	42,124	1,347	100,836
Total assets	**57,365**	**42,124**	**1,347**	**100,836**

There were no transfers between levels during the year ended 30 June 2022 or the year ended 30 June 2021.

There is no offsetting between financial assets and financial liabilities.

b) Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

Level 2: The fair value of Level 2 bonds and securities is based on prices supplied by the Intercontinental Exchange, an independent specialist international valuer of financial securities. The Intercontinental Exchange uses pricing methodology based on market data they are able to access as an operator of global exchanges in the bonds, securities and swaps markets. This measurement basis falls within Level 2 of the fair value hierarchy as all significant inputs used to calculate the fair value are based on observable market data.

Level 3: In the circumstances where a valuation technique for financial instruments is based on significant unobservable inputs, those instruments are included in level 3. For the Company this includes the valuation of asset backed securities.

c) Fair value measurements using significant unobservable inputs (level 3)

The Company's level 3 investments comprise units in asset backed securities. The following table presents the changes in level 3 instruments for the periods ended 30 June 2022 and 30 June 2021:

4. FAIR VALUE MEASUREMENT continued

c) Fair value measurements using significant unobservable inputs (level 3) continued

	2022 $000	2021 $000
Fair value measurement as at 1 July	1,347	-
Purchased	4,000	2,000
Sales / Interest entitlement	(1,844)	(666)
Change in fair value	(30)	13
Fair value measurement at the end of the year	**3,473**	**1,347**

i) Transfers between levels 2 and 3	There were no transfers between the levels of the fair value hierarchy during the year.
ii) Valuation process	The valuation of asset backed securities is based on independent third party valuations obtained by investment managers.

The following table provides the sensitivity to movements in fair values of these level 3 asset backed securities:

Description	Fair value $000	Sensitivity
At 30 June 2022		
Asset backed securities	3,473	Higher/(lower) redemption price (+/-10%) would increase/(decrease) fair value by $347k
At 30 June 2021		
Asset backed securities	1,347	Higher/(lower) redemption price (+/-10%) would increase/(decrease) fair value by $135k

The carrying value less impairment provision of other receivables and payables, and cash and cash equivalents are assumed to approximate to their fair value due to their short-term nature.

5. REVENUE AND OTHER INCOME

	Notes	2022 $000	2021 $000
Net premium revenue			
Premium revenue		308,650	278,166
Outwards reinsurance premium expense		(231)	(365)
Total net premium revenue		**308,419**	**277,801**
Other income			
Net gain (loss) on disposal of property, plant and equipment		14	(19)
Management fees income	24	1,382	1,417
Insurance recoveries		-	110
(Loss) on right-of-use asset derecognition for sublease		(2)	-
Foreign exchange (loss)		(110)	(79)
Total other income		**1,284**	**1,429**
Total finance income		**23**	**-**
Investment income			
Interest income		2,270	2,365
Net realised (loss) gain on financial assets at fair value through profit or loss		(700)	9
Net unrealised (loss) on financial assets at fair value through profit or loss		(2,197)	(1,770)
Total investment income		**(627)**	**604**

a) Accounting Policy

Revenue is measured at the fair value of the consideration received or receivable.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities. The Company bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised on management fees income (refer note 24) and for the major business activities as follows:

i) Premium revenue	Premium revenue comprises premiums from private health insurance contracts held by policyholders. Premium revenue is recognised when it has been earned. Premium revenue is recognised from the attachment date over the period of the contract. The attachment date is from when the insurer accepts the risk from the insured under the insurance contract. Revenue is recognised in accordance with the pattern of the incidence of risk expected over the term of the contract. The proportion of the premium received or receivable not earned in the Statement of Comprehensive Income at the reporting date is recognised in the Statement of Financial Position as an unearned premium liability (refer Note 17).
ii) Investment income	Interest income is recognised using the effective interest method. Net realised/unrealised value gains or losses on financial assets at fair value through profit or loss are recognised through the Statement of Comprehensive Income in the period in which they arise.
iii) Finance income	Finance income on sublease is allocated to accounting periods so as to reflect a constant period rate of return on the Company's finance lease. Refer to Note 14 for finance lease receivables.

6. EXPENSES

	Notes	2022 $000	2021 $000
Expenses by function			
Claims handling expenses		2,722	2,726
Marketing and other acquisition costs		55,938	45,656
Other underwriting expenses		42,093	33,014
Amortisation of intangible assets		4,321	4,227
Finance costs		271	509
Investment expenses		119	119
Total expenses (excluding direct claims expenses)		**105,464**	**86,251**
Expenses by nature			
Depreciation and amortisation	12 & 13	4,956	4,930
Depreciation of right-of-use assets	14	498	755
Employee costs		25,474	20,428
Finance costs - interest on lease liabilities	14	271	509
Investment expenses		119	119
Information technology expenses		1,088	2,112
Management fee		12,161	9,412
Marketing expenses - excluding commissions		6,164	6,221
Acquisition expenses - deferred acquisition cost	11	5,223	-
Acquisition expenses - commissions		40,789	36,119
Professional fees		6,838	3,368
Other		1,883	2,278
Total expenses (excluding direct claims expenses)		**105,464**	**86,251**

7. TAXATION

a) Income tax

		2022 $000	2021 $000
i) Income tax expense			
Recognised in the Statement of Comprehensive Income			
Current tax expense		5,262	2,287
Deferred tax expense		927	4,412
		6,189	**6,699**
Deferred income tax expense included in income tax expense comprises:			
Decrease in deferred tax assets	7(c)	1,934	4,789
(Decrease) in deferred tax liabilities	7(d)	(1,007)	(377)
		927	**4,412**
ii) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax expense		**20,258**	**23,018**
Tax at the New Zealand tax rate of 28% (2021: 28%)		5,672	6,445
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Other non-deductible expenses		517	254
Income tax expense		**6,189**	**6,699**

b) Imputation credits

	2022 $000	2022 $000
Imputation credits available for use in subsequent reporting periods	36,345	32,519

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

- imputation credits that will arise from the payment of the amount of the provision for income tax; and
- imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date.

These amounts include imputation credits that are available to the Company.

7. TAXATION continued

c) Deferred tax assets

	Notes	2022 $000	2021 $000
The balance comprises temporary differences attributable to:			
Premium payback liabilities		2,769	4,864
Doubtful debts		140	110
Employee benefits		1,119	724
Lease liabilities		1,437	1,701
Total deferred tax assets		**5,465**	**7,399**

Movements	Premium payback liabilites $000	Doubtful debts $000	Employee benefits $000	Lease liabilities $000	Provision for deferred and suspended claims $000	Total $000
At 1 July 2020	**5,559**	**204**	**610**	**3,298**	**2,517**	**12,188**
(Charged) credited to the Statement of Comprehensive Income	(695)	(94)	114	(1,597)	(2,517)	(4,789)
At 30 June 2021	**4,864**	**110**	**724**	**1,701**	**-**	**7,399**
At 1 July 2021	**4,864**	**110**	**724**	**1,701**	**-**	**7,399**
(Charged) credited to the Statement of Comprehensive Income	(2,095)	30	395	(264)	-	(1,934)
At 30 June 2022	**2,769**	**140**	**1,119**	**1,437**	**-**	**5,465**

d) Deferred tax liabilities

	2022 $000	2021 $000
The balance comprises temporary differences attributable to:		
Customer contracts	3,048	3,410
Deferred acquisition costs	9,875	10,460
Depreciation and amortisation	838	876
Right-of-use assets	983	1,005
Total deferred tax liabilities	**14,744**	**15,751**
Total deferred tax assets	(5,465)	(7,399)
Net deferred tax liabilities	**9,279**	**8,352**

7. TAXATION continued

d) Deferred tax liabilities continued

Movements	Customer contracts	Deferred acquisition costs	Depreciation and amortisation	Right-of-use assets	Total
	$000	$000	$000	$000	$000
At 1 July 2020	**3,772**	**8,771**	**954**	**2,631**	**16,128**
Charged (credited) to the Statement of Comprehensive Income	(362)	1,689	(78)	(1,626)	(377)
At 30 June 2021	**3,410**	**10,460**	**876**	**1,005**	**15,751**
At 1 July 2021	**3,410**	**10,460**	**876**	**1,005**	**15,751**
Charged (credited) to the Statement of Comprehensive Income	(362)	(585)	(38)	(22)	(1,007)
At 30 June 2022	**3,048**	**9,875**	**838**	**983**	**14,744**

e) Accounting Policy

i) Income tax expense

The income tax expense is the tax payable on taxable income for the reporting period, based on the income tax rate and adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

ii) Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

iii) Deferred tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled, based on the tax rates enacted. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

8. CASH AND CASH EQUIVALENTS

	2022 $000	2021 $000
Cash at bank and cash on hand	42,171	20,958
Short term deposits and deposits at call	3,260	389
	45,431	**21,347**

a) Reconciliation of profit after income tax to net cash inflow from operating activities

	2022 $000	2021 $000
Profit for the year	14,069	16,319
Net (gain)/loss on disposal of property, plant and equipment	(14)	19
Fair value loss on other financial assets through profit or loss	2,897	1,761
Depreciation and amortisation	4,956	4,929
Depreciation of right-of-use assets, interest on leases and finance Income	747	1,263
Change in operating assets and liabilities		
(Increase) in receivables	(696)	(594)
Decrease/(increase) in deferred acquisition costs	2,096	(6,034)
Increase in deferred tax liabilities	925	4,412
Increase/(decrease) in current tax liabilities	4,716	(6,805)
Increase in trade payables	11,979	1,272
(Decrease) in insurance liabilities	(5,785)	(11,105)
Net cash flow from operating activities	**35,890**	**5,437**

b) Accounting Policy

Cash and cash equivalents, and bank overdrafts are carried at face value of the amounts deposited or drawn. For the purpose of the presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

9. RECEIVABLES

	2022 $000	2021 $000
Premium receivables	3,323	2,697
Other receivables	463	543
Intercompany receivables	187	-
Provision for loss allowance	(502)	(392)
Prepayments	501	371
	3,972	**3,219**

The loss allowance as at 30 June 2022 and 30 June 2021 was determined for premium receivables and other receivables as follows:

Company at 30 June 2022		Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	%	9%	15%	42%	95%	
Gross carrying amount - premium receivables	$000	2,478	582	208	55	3,323
Gross carrying amount - other receivables	$000	426	14	12	11	463
Loss allowance	$000	**259**	**87**	**93**	**63**	**502**

Company at 30 June 2021		Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	%	9%	17%	34%	100%	
Gross carrying amount - premium receivables	$000	2,043	464	171	19	2,697
Gross carrying amount - other receivables	$000	485	40	15	3	543
Loss allowance	$000	**218**	**88**	**64**	**22**	**392**

The closing loss allowances for premium receivables and other receivables as at 30 June 2022 and 30 June 2021 reconcile to the opening loss allowances as follows:

	Premium receivables $000	Other receivables $000	Total $000
Opening loss allowance as at 1 July 2020	**707**	**22**	**729**
Increase / (decrease) in loss allowance recognised in profit or loss during the year	(339)	8	(331)
Receivables written off during the year as uncollectible	-	(6)	(6)
At 30 June 2021	**368**	**24**	**392**
Increase / (decrease) in loss allowance recognised in profit or loss during the year	111	12	**123**
Receivables written off during the year as uncollectible	-	(13)	**(13)**
At 30 June 2022	**479**	**23**	**502**

As of 30 June 2022 and 30 June 2021 no receivables were past due but not impaired.

9. RECEIVABLES continued

a) Accounting Policy

i) Premium receivables	Amounts due from policyholders are initially recognised at fair value, being the amounts due. They are subsequently measured at amortised cost which is approximated by taking this initially recognised amount and reducing it for an allowance for expected credit losses. The Company has elected to apply the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, premium receivables have been grouped based on payment frequency, days overdue, and considered a number of factors including cancellation rates and concentration risks. The amount of expected credit losses is recognised in the Statement of Comprehensive Income.
ii) Other receivables	Other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Other receivables are generally due for settlement within 30 days. The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, other receivables have been grouped based on days overdue. The amount of expected credit losses is recognised in the Statement of Comprehensive Income.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 $000	2021 $000
Interest-bearing securities	97,054	100,836
	97,054	**100,836**

a) Accounting Policy

ii) Classification

The Company classifies its financial assets into the following measurement categories:

- those to be measured at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the relevant cash flows. The Company has determined that all financial assets are classified as fair value through profit or loss as they are held to back insurance liabilities. These assets are managed in accordance with agreed investment mandate agreements on a fair value basis and are reported to the Board on this basis.

iii) Recognition and derecognition

A financial asset is recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument, which is generally at trade date.

A financial asset is derecognised when the contractual cash flows from the asset expire or the rights to receive contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of the ownership are transferred. Any interest in a transferred financial asset that is created or retained by the Company is recognised as a separate asset or liability.

iv) Measurement

Changes in fair values of financial assets at fair value through profit or loss are recorded as investment income in the Statement of Comprehensive Income.

Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

Subsequent to the initial recognition, for financial assets measured at fair value through profit or loss, gains and losses are recorded in profit or loss.

11. DEFERRED ACQUISITION COSTS

	2022 $000	2021 $000
Current		
Deferred acquisition costs	1,681	6,535
Deferred unearned commissions	19,748	19,538
	21,429	**26,073**
Non-current		
Deferred acquisition costs	13,837	11,289
	13,837	**11,289**

Movements in deferred acquisition costs are as follows:

	2022 $000	2021 $000
Balance at the beginning of the year	37,362	31,328
Acquisition costs deferred during the year	26,195	26,573
Acquisition costs written down	(5,223)	-
Amortisation expense	(23,068)	(20,539)
	35,266	**37,362**

a) Accounting Policy

Direct acquisition costs incurred in obtaining health insurance contracts, including broker commissions, 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 Statement of Comprehensive Income in subsequent reporting periods. This pattern of amortisation is in accordance with the pattern of risk.

The Company does not capitalise the indirect administration costs associated with acquiring new members due to the difficulty in identifying and associating those indirect costs with acquiring particular insurance contracts.

If a liability adequacy test deficiency occurs, it is recognised in the Statement of Comprehensive Income with a corresponding write-down of the related deferred acquisition cost asset.

b) Critical accounting judgements and estimates: Deferred acquisition costs

In accordance with NZ IFRS 4 'Insurance Contracts', acquisition costs which lead to future benefits are 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 Statement of Comprehensive Income in subsequent reporting periods. These deferred acquisition costs are amortised systematically in accordance with the pattern of the incidence of risk under the related insurance contract.

The Company incurs upfront commission costs that will give rise to future premium revenue and are able to be directly associated with a particular insurance contract. These costs are deferred and amortised over the life of the insurance contract.

There are two key assumptions required to recognise the acquisition costs over the life of the insurance contract:

- the period of the insurance contract is assumed to be the average length of insurance for nib nz limited policyholders who are the subject of an upfront commission; and
- the average length of insurance for nib nz limited policyholders who are the subject of an upfront commission is calculated by extrapolating historical lapse rates for that group of policyholders.

The recoverability of the related deferred acquisition costs is also considered through an assessment of the net present value of the future estimated cash flows for policies that are subject to commission, and as part of the liability adequacy test performed. As described in Note 17, it is anticipated that many claims have been deferred as a result of COVID-19 with members expected to receive treatment in the next financial year. These have been considered as part of the lability adequacy test and place the liability adequacy test in a negative position, requiring the $5.2 million write-down of deferred acquisition costs . After the partial write down of deferred acquisition costs , the Company has no deficiency in the liability adequacy test at 30 June 2022 (2021: nil).

Further details are included within Note 16 (b) and Note 17 (b).

12. PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment	Leasehold Improvements	Total
	$000	$000	$000
At 1 July 2020			
Cost	6,503	1,507	**8,010**
Accumulated depreciation	(4,656)	(1,365)	**(6,021)**
Net book amount	**1,847**	**142**	**1,989**
Year ended 30 June 2021			
Opening net book amount	1,847	142	**1,989**
Additions	330	5	**335**
Disposals	(30)	-	**(30)**
Depreciation charge for the year	(609)	(93)	**(702)**
Closing net book amount	**1,538**	**54**	**1,592**
At 30 June 2021			
Cost	6,392	1,512	**7,904**
Accumulated depreciation	(4,854)	(1,458)	**(6,312)**
Net book amount	**1,538**	**54**	**1,592**
Year ended 30 June 2022			
Opening net book amount	1,538	54	**1,592**
Additions	572	-	**572**
Disposals	(23)	-	**(23)**
Depreciation charge for the year	(621)	(14)	**(635)**
Closing net book amount	**1,466**	**40**	**1,506**
At 30 June 2022			
Cost	6,875	1,512	**8,387**
Accumulated depreciation	(5,409)	(1,472)	**(6,881)**
Net book amount	**1,466**	**40**	**1,506**

a) Accounting Policy

Items of property, plant and equipment are initially recorded at cost including transaction costs. Items are then subsequently measured at cost less any subsequent accumulated depreciation.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment	3 to 5 years
Leasehold improvements	3 to 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are included in the Statement of Comprehensive Income.

13. INTANGIBLE ASSETS

	Goodwill	Software	Customer Contracts	Total
	$000	$000	$000	$000
At 1 July 2020				
Cost	11,959	20,081	19,400	**51,440**
Accumulated amortisation	-	(11,979)	(5,928)	**(17,907)**
Net book amount	**11,959**	**8,102**	**13,472**	**33,533**
Year ended 30 June 2021				
Opening net book amount	11,959	8,102	13,472	**33,533**
Additions (internally developed)	-	2,804	-	**2,804**
Additions (externally acquired)	-	892	-	**892**
Amortisation charge for the year	-	(2,934)	(1,293)	**(4,227)**
Closing net book amount	**11,959**	**8,864**	**12,179**	**33,002**
At 30 June 2021				
Cost	11,959	23,776	19,400	**55,135**
Accumulated amortisation	-	(14,912)	(7,221)	**(22,133)**
Net book amount	**11,959**	**8,864**	**12,179**	**33,002**
Year ended 30 June 2022				
Opening net book amount	11,959	8,864	12,179	**33,002**
Additions (externally acquired)	-	2,657	-	**2,657**
Amortisation charge for the year	-	(3,028)	(1,293)	**(4,321)**
Closing net book amount	**11,959**	**8,493**	**10,886**	**31,338**
At 30 June 2022				
Cost	11,959	26,433	19,400	**57,792**
Accumulated amortisation	-	(17,940)	(8,514)	**(26,454)**
Net book amount	**11,959**	**8,493**	**10,886**	**31,338**

a) Accounting Policy

i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the portfolio of insurance contracts acquired at the date of acquisition. Goodwill on acquisitions is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, and is carried at cost less accumulated impairment losses.

ii) Software

Costs incurred in developing products or systems and costs incurred in acquiring software that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from two and a half years to five years.

13. INTANGIBLE ASSETS continued

a) Accounting policy continued

***ii) Software** continued*

Following the IFRS Interpretations Committee agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021, the Company has adopted the treatment, which is to recognise those costs as intangible assets only if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Company, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

iii) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which is approximately ten to fifteen years.

iv) Impairment

Goodwill and intangible assets that have an indefinite useful life and are not subject to amortisation, are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

b) Impairment tests for goodwill and indefinite life intangibles

Goodwill and indefinite life intangibles are allocated to a cash generating unit (CGU) which may be at a level lower than operating segments. Goodwill is allocated at an operating segment level to a CGU or group of CGUs.

The recoverable amount of a CGU is determined based on a value-in-use calculation. The value-in-use calculation uses cash flow projections based on financial budgets and forecast forward projections approved by management covering a four-year period. The recoverable amount exceeds the carrying value of the goodwill or indefinite life intangibles.

c) Critical accounting judgements and estimates: Key assumptions used for value-in-use calculations

The assumptions used for the cash flow projections for the first three years are in line with the current Board approved budget and forecast forward projections. Key assumptions include policyholder growth, claims ratio and the discount factor.

Policyholder growth is calculated by forecasting the number of sales each month based on budgeted advertising and promotions spend, less the number of expected lapses each month. Claims ratios are targeted that generate price increases that maintain price competitiveness, cover expected increases in claims costs, do not adversely affect the fund’s capital adequacy position, and enable funding of future business growth.

Cash flows beyond the four-year period are extrapolated in perpetuity assuming a growth factor of 2.5%. The Company has applied a post-tax discount rate to discount the forecast future attributable post tax cash flows.

Management determined policyholder growth and claims ratios based on past performance and its expectations for the future.

	Policyholder growth [1]		Claims ratio [1]		Long term growth rate		Pre-tax discount rate	
	2022	2021	2022	2021	2022	2021	2022	2021
	%	%	%	%	%	%	%	%
Assumptions	7.9	8.3	65.3	63.8	2.5	2.5	11.3	11.2

[1] These assumptions are an average of the four-year forecast period

d) Significant estimate: Impact of possible changes in key assumptions.

In both 2022 and 2021 there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write down of goodwill.

14. LEASE ASSETS AND LIABILITIES

a) Right-of-use assets

	2022 $000	2021 $000
Right-of-use assets - properties	1,647	3,589
	1,647	**3,589**

Movements in right-of-use assets are as follows:

	2022 $000	2021 $000
Right-of-use assets at the beginning of the year	3,589	9,396
Depreciation charge for the year	(498)	(755)
Other adjustments	(1,444)	(5,052)
Right-of-use assets at the end of the year	**1,647**	**3,589**

The Company extended its agreement to lease the Auckland office premises for a further 6 year lease term, commencing 1st November 2020. The agreement to lease provides for a rent review every 3 years based on prevailing market value rates at the time of review. During the current financial year, the Company entered into a subleasing arrangement for a portion of the Auckland office premises, commencing December 2021. This has resulted in derecognition of a portion of the right-of-use asset and creation of the finance lease receivable. In the prior year, the Company revised the expected lease term, resulting in a $5.9 million reduction in the right-of-use assets.

b) Finance lease receivables

	2022 $000	2021 $000
Current	401	-
Non-current	1,463	-
	1,864	**-**

Minimum undiscounted lease payments receivable on the sublease are as follows:

	2022 $000	2021 $000
Within 1 year	440	-
Between 1 and 2 years	453	-
Between 2 and 3 years	467	-
Between 3 and 4 years	481	-
Between 4 and 5 years	122	-
Later than 5 years	-	-
	1,963	**-**

c) Lease liabilities

	2022 $000	2021 $000
Current	1,223	1,188
Non-current	3,908	4,887
	5,131	**6,075**

As part of the lease, a $1,142,557 bank guarantee was required.

14. LEASE ASSETS AND LIABILITIES continued

d) Amounts recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income includes the following amounts related to leases.

	Notes	2022 $000	2021 $000
Finance income	5	23	-
Gain (loss) on recognition of finance sublease (included in other income)	5	(2)	-
Depreciation charge of right-of-use assets - properties	6	498	755
Finance costs - interest on lease liabilities	6	271	509
Expenses relating to short-term leases (included in other expenses)	6	428	351

The total cash outflow for leases in 2022 was $999,000 (2021: $1,159,000).

e) Accounting policy

As a lessee

The Company leases office and parking spaces. Rental contracts are typically made for fixed periods of 6 to 7 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in–substance fixed payment), less any lease incentives
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual guarantees
- the exercise price of a purchase option if the lessee is reasonable certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term and security

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

14. LEASE ASSETS AND LIABILITIES continued

e) **Accounting policy** continued

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

As a lessor

The Company is a sub-lessor (intermediate lessor) of the right-of-use assets. The Company classifies the sublease as a finance lease or an operating lease by assessing if the lease transfers substantially all the risks and rewards with reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. For subleases classified as finance lease, the sub-lessor derecognises the right-of-use asset relating to the head lease that it transfers to the sublease and recognises the net investment in the sublease; any difference between the right-of-use assets and the net investment in the finance sublease is recognised in profit or loss. At the commencement date, net investment in the finance lease is measured at an amount equal to the present value of the lease payments for the underlying right-of-use assets during the lease term. The Company recognises finance income over the lease term, based on a pattern reflecting a constant period rate of return on the lessor’s net investment in the lease.

i) Extension and termination options

Extension and termination options are included in a number of leases across the Company. These terms are used to maximise operational flexibility in terms of managing contracts.

15. PAYABLES

	2022 $000	2021 $000
Current		
Trade payables	4,001	2,364
Other payables	8,490	7,135
Intercompany payable	4,076	2,676
Annual leave payable	1,713	1,262
	18,280	**13,437**

Other payables includes $1.0 million received from policyholders relating to future policy renewals (2021: $0.9 million).

a) Accounting Policy

i) Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid. Payables are recognised initially at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

Provisions are only recognised when the Company has a present legal or constructive obligation as a result of a past event or decision, and it is more likely than not that an outflow of resources will be required to settle the obligation. Provisions are recognised as the best estimate of future cash flows discounted to present value where the effect is material.

ii) Annual leave payable

Provision is made for annual leave for services rendered up to the balance date. Annual leave balances expected to be settled within 12 months of the reporting date are measured at their nominal amounts.

16. CLAIMS LIABILITIES

a) Outstanding claims liability

Outstanding Claims Liability	2022 $000	2021 $000
Outstanding claims - central estimate of the expected future payment for claims incurred	17,476	15,249
Risk margin	6,392	798
Claims handling costs	472	488
Gross outstanding claims liability	**24,340**	**16,535**

Movements in the gross outstanding claims are as follows:

	2022 $000	2021 $000
Gross outstanding claims at 1 July	16,535	17,874
Risk margin	(798)	(1,150)
Claims handling costs	(488)	(487)
Central estimate at the start of the year	**15,249**	**16,237**
Change in claims incurred for the prior year	268	1,045
Claims paid in respect of the prior year	(14,883)	(17,316)
Claims incurred during the year (expected)	178,399	177,989
Claims paid in respect of the current year	(161,557)	(162,706)
Central estimate at the end of the year	**17,476**	**15,249**
Risk margin	6,392	798
Claims handling costs	472	488
Gross outstanding claims at the end of the year	**24,340**	**16,535**

The following table shows the expected run-off pattern of net undiscounted outstanding claims:

	2022 $000	2021 $000
Expected claims run off:		
Within 3 months	21,115	14,026
3 to 6 months	1,861	1,471
6 to 12 months	976	809
After 12 months	388	229
Total outstanding claims at 30 June	**24,340**	**16,535**

	2022	2021
The weighted average expected term to settlement of outstanding claims based on historical trends is:	1.67 months	1.77 months

16. CLAIMS LIABILITIES continued

a) Outstanding claims liability continued

i) Critical accounting judgements and estimates: Outstanding claims liability

Actuarial methods and accounting policy

Provision is made at the reporting date for the liability for outstanding claims which is measured as the central estimate of the expected payments against claims incurred but not settled at the reporting date under private health insurance contracts issued by the Company. The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported. This ‘central estimate’ of outstanding claims is an estimate which is intended to contain no intentional over or under estimation. For this reason the inherent uncertainty in the central estimate must also be considered and a risk margin is added. The estimated cost of claims includes allowances for claims handling expenses. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In calculating the estimated cost of unpaid claims the Company uses estimation techniques based upon statistical analysis of historical experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including changes in the Company’s processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods.

The risk margin is based on an analysis of the past experience of the Company. This analysis examines the volatility of past payments that are not explained by the model adopted to determine the central estimate. This past volatility is assumed to be indicative of the future volatility.

Two methods are used to estimate the unpaid claims. The chain ladder method assumes that the development pattern of the current claims will be consistent with historical experience. The Bornhuetter-Ferguson method progressively blends payment experience and prior forecasts of incurred costs. The Bornhuetter-Ferguson method is used for May and June 2022 service month for both surgical and medical claims. The Chain ladder method is used for all other months. (30 June 2021: Bornhuetter-Ferguson method used for April 2021 and post months for surgical claims, and June 2021 service month for Medical claims, chain ladder method used for all other months).

Estimates of the outstanding claims liability and premium payback liability as at period end have been prepared by James Roscoe, FIAA, FNZSA and Xiaozhou Zhong, FIAA, FNZSA, and reviewed by the Appointed Actuary Jamie Reid, B.Sc., FIAA, FNZSA. The actuarial assessments are in accordance with the standards of the New Zealand Society of Actuaries.

The Company’s Appointed Actuary was satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability and premium payback liability. The outstanding claims liability and premium payback liability are set at a level that is appropriate and sustainable to cover the Company's claims obligations after having regard to the prevailing market environment and prudent industry practice.

The following assumptions have been made in determining the outstanding claims liability:

	2022		2021	
	Surgical	Medical	Surgical	Medical
NZ Health Insurance	%	%	%	%
Assumed proportion paid to date	90.2%	91.8%	91.8%	92.0%
Claims handling costs	2.7%	2.7%	3.2%	3.2%
Risk margin	38.1%	38.1%	7.0%	7.0%

The risk margin of the underlying liability has been estimated to equate to a probability of sufficiency of 99.5% (June 2021: 75%). The increased level of probability of sufficiency for outstanding claims reflects a reduced risk appetite given ongoing COVID-related claiming uncertainties. Further details are included within Note 16 a) i) and 16 (b).

16. CLAIMS LIABILITIES continued

a) Outstanding claims liability continued

ii) Sensitivity analysis

The Company conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying actuarial assumptions. The movement in any key variable will impact the performance and equity of the Company. The tables below provide a description of the processes used to determine these assumptions, as well as how a change in each assumption will affect the insurance liabilities.

Key variable	Description	Impact of movement in variable
Chain Ladder Development Factors	Chain ladder development factors were selected based on observations of historical claim payment experience. Particular attention was given to the development of the most recent 12 months.	An increase or decrease in the chain ladder factors would lead to a higher or lower projection of the ultimate liability and a corresponding increase or decrease in claims expense respectively.
Bornhuetter-Ferguson Unpaid Factors	Bornhuetter-Ferguson Unpaid Factors were selected based on historical patterns of payment (by development) to ultimate incurred claims. That is, the proportion of ultimate incurred claims to be paid by development month is selected based on observations from the historical development. This “unpaid proportion” is then multiplied by a prior forecast of incurred claims for each service month to determine the outstanding claims estimate.	An increase or decrease in the level of unpaid factors would lead to a higher or lower projection of the ultimate liability and a corresponding increase or decrease on claims expense respectively.
Claims handling costs	The estimate of outstanding claims liability incorporates an allowance for the future cost of administrating the claims. This allowance is determined after analysing historical claim related expenses incurred by the classes of business.	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Risk margin	The outstanding claims liability also includes a risk margin that relates to the inherent uncertainty in the central estimate of the future payments. Risk margins are determined on a basis that reflects the Company’s business. Regard is given to the robustness of the valuation models, the reliability and volume of available data, past experience of the insurer and the industry and the characteristics of the classes of business written. The risk margin is intended to provide a 99.5% probability of adequacy (2021: 75%).	An estimate of the amount of uncertainty in the determination of the central estimate. An increase or decrease in the risk margin would have a corresponding impact on claims expense.
Discount rate	As claims are generally settled within one year, no discounting of claims is applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material.	

16. CLAIMS LIABILITIES continued

a) Outstanding claims liability continued

ii) Sensitivity analysis continued

Impact of key variables:

			Profit after tax 2022 $000		Equity 2022 $000
Recognised amounts in the financial statements			**14,069**		**121,045**
Variable	**Movement in variable**	**Adjustments**	**Adjusted amounts**	**Adjustments**	**Adjusted amounts**
		$000	**$000**	**$000**	**$000**
Chain Ladder Development Factors	+0.5%	(645)	13,424	(645)	120,400
	-0.5%	645	14,714	645	121,690
Bornhuetter-Ferguson Unpaid Factors	+2.0%	(542)	13,527	(542)	120,503
	-2.0%	545	14,614	545	121,590
Claims handling costs	+1.0%	(126)	13,943	(126)	120,919
	-1.0%	126	14,195	126	121,171
Risk margin	+1.0%	(121)	13,948	(121)	120,924
	-1.0%	121	14,190	121	121,166

			Profit after tax 2021 $000		Equity 2021 $000
Recognised amounts in the financial statements			**16,319**		**115,476**
Variable	**Movement in variable**	**Adjustments**	**Adjusted amounts**	**Adjustments**	**Adjusted amounts**
		$000	**$000**	**$000**	**$000**
Chain Ladder Development Factors	+0.5%	(562)	15,757	(562)	114,914
	-0.5%	563	16,882	563	116,039
Bornhuetter-Ferguson Unpaid Factors	+2.0%	(423)	15,896	(423)	115,053
	-2.0%	423	16,742	423	115,899
Claims handling costs	+1.0%	(117)	16,202	(117)	115,359
	-1.0%	117	16,436	117	115,593
Risk margin	+1.0%	(113)	16,206	(113)	115,363
	-1.0%	113	16,432	113	115,589

16. CLAIMS LIABILITIES continued

b) Consideration for uncertainty around COVID-19 claims

Critical accounting judgements and estimates

On 12 March 2020, the World Health Organisation declared the outbreak of coronavirus (COVID-19) a global pandemic. In the year ended 30 June 2022, the delta and omicron variants of COVID-19 became widespread in New Zealand, leading to a significant fall in activity and claims.

Management and the Appointed Actuary strongly believe given the significantly low level of paid claims, that, as COVID-19 is continuing to create uncertainty through disruptions to usual claiming behaviour, claims have been deferred and a catch-up is likely to occur. Particular factors that demonstrate the additional uncertainty include:

1. Lockdowns which have meant claims were deferred—with a long lockdown between August 2021 and December 2021.
2. New treatments not eventuating due to a lack of access to suitable facilities. This has been even more severe than in the year ended 30 June 2020 due to widespread COVID-19 now causing staff shortages in all areas, including for medical providers.
3. A reluctance of patients to visit health facilities due to the risk of COVID-19. While difficult to quantify, this appears to be well supported anecdotally.
4. A reduction in referrals from general practitioners.

Considered by the risk appetite, management have determined that an increase in the probability of sufficiency for Outstanding Claims Liability ("OSC") and Liability Adequacy Test ("LAT") is warranted (up from 75% to 99.5% for OSC and, similarly, up from 75% to 97% for LAT) to allow for the greater uncertainty around COVID-19 claims. Additionally, allowing for the anticipated claims catch-up in the year ending 30 June 2023 in the LAT (note 17b), which has resulted in requiring a portion of the DAC to be written off to address the LAT deficiency.

Management will continue to closely monitor the impact of the pandemic on members and claims and respond as required.

17. UNEARNED PREMIUM LIABILITY

	2022 $000	2021 $000
Current		
Unearned premium liability	23,070	21,761
	23,070	**21,761**
Non-current		
Unearned premium liability	1,627	1,238
	1,627	**1,238**

The unearned premium liability reflects premiums billed in advance, which averages between one and two months of prepayments.

Movements in the unearned premium liability are as follows:

	2022 $000	2021 $000
Unearned premium liability at 1 July	22,999	22,635
Deferral of premiums on contracts written in the year	310,928	278,530
Earning of premiums	(309,230)	(278,166)
Unearned premium liability at the end of the year	**24,697**	**22,999**

a) Critical accounting judgements and estimates: Liability adequacy test

Actuarial methods

A liability adequacy test is performed to determine whether the unearned premium liability is sufficient to cover the present value of the expected 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 unearned premium liability less related deferred acquisition costs exceeds the present value of the expected future cash flows of claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate, then the unearned premium liability is deemed to be sufficient. Any deficiency is recorded in the Statement of Comprehensive Income and an unexpired risk liability created.

This test is also extended beyond recognised unearned premium liability to include premiums renewable until the next pricing review.

	2022	2021
Central estimate of the present value of expected future cash flows	78.2%	60.9%
Risk margin	8.2%	3.4%

17. UNEARNED PREMIUM LIABILITY continued

b) It is anticipated that many claims have been deferred as a result of COVID-19 with a number of members yet to receive treatment. Similar to outstanding claims, there has been an increase in the probability of sufficiency to reflect a reduced risk appetite given ongoing COVID-related claiming uncertainties, with liability adequacy testing being performed at a 97% probability of sufficiency (June 2021: 75%). This caused a deficiency in the liability adequacy test, requiring the partial write-down of deferred acquisition costs, refer note 11.

The result of the liability adequacy test is as follows:

	2022 $000	2021 $000
Unearned premium including premiums renewable until the next pricing review	76,562	67,856
Related Deferred Acquisition Cost	11,397	9,453
Expected cost of claims (including risk margin)	70,389	49,125
Surplus / (Deficit)	(5,224)	9,278
Write down Deferred Acquisition Cost	5,224	-
Surplus / (Deficit) after writing down Deferred Acquisition Cost	-	9,278

The expected cost of claims includes the anticipated claims catch-up of NZ$10.7 million (2021: nil), and a risk margin of NZ$6.1 million at 97% probability of sufficiency (2021: NZ$2.3 million at 75%).

c) Unexpired risk liability

After the partial write-down of deferred acquisition costs, no deficiency was identified as at 30 June 2022 and no unexpired risk liability is required. No deficiency was identified as at 30 June 2021, with no unexpired risk liability needing to be recognised.

18. PREMIUM PAYBACK LIABILITY

	2022 $000	2021 $000
Current		
Premium payback liability	3,514	8,725
	3,514	**8,725**
Non-current		
Premium payback liability	7,966	10,238
	7,966	**10,238**

Movements in the premium payback liability are as follows:

	2022 $000	2021 $000
Gross premium payback liability at 1 July	18,963	21,443
Adjustment to ensure reserve exceeds current pay out on early lapse	-	(13)
Value of payments currently being processed	(1,269)	(1,201)
Risk margin	(505)	(642)
Central estimate at the start of the year	**17,189**	**19,587**
Funding/new accrued	2,274	2,897
Unwind discount rate	311	180
Interest rate movement impact	(1,355)	(491)
Premium payback payments	(8,625)	(4,768)
Others	397	(216)
Central estimate at the end of the year	**10,191**	**17,189**
Adjustment to ensure reserve exceeds current pay out on early lapse	103	-
Value of payments currently being processed	722	1,269
Risk margin	464	505
Total premium payback liability at the end of the year	**11,480**	**18,963**

18. PREMIUM PAYBACK LIABILITY continued

a) Critical accounting judgments and estimates: Premium payback liability

Actuarial methods

A number of policies have a benefit where policyholders receive a proportion of premiums paid less claims received over the life of their policy, "premium payback", if certain conditions are met. The premium payback liability represents the accrued amount of premium expected to be repaid to certain policyholders. This liability represents a long-term health insurance contract liability.

The liability was determined based on the discounted value of accumulated excess of premiums over claims at an individual policy level, adjusted for GST recoveries and expected future lapses.

The following assumptions have been made in determining the premium payback liability:

	2022	2021
Lapse rate until 3 years from premium payback date	2.0% - 10.0%	2.0% - 10.0%
Lapse rate within 3 years of premium payback date	0.0% - 1.0%	0.0% - 1.0%
Expense rate	0.0%	0.0%
Discount rate for succeeding and following period	3.52% - 3.62%	0.57% - 1.00%
Risk margin	4.5%	3.8%

The risk margin has been estimated to equate to a probability of adequacy of approximately 95% (30 June 2021: 95%).

b) Liability adequacy test

A liability adequacy test to cover uncertainty in the central estimate is also applied to confirm the sufficiency of the liability in aggregate.

Assumptions used in the calculation of the liability adequacy test:

	2022	2021
Discount rate for succeeding and following years	3.52% - 3.62%	0.57% - 1.00%
Claims and premium inflation rate for succeeding and following years	9% p.a.	9% p.a.
Lapse rates	0% to 25% p.a.	0% to 25% p.a.
Administration expense per customer	$94.24	$92.39
Expense inflation for succeeding and following years	2% p.a.	2% p.a.

No deficiency was identified as at 30 June 2022 and 30 June 2021 that resulted in an unexpired risk liability needing to be recognised.

18. PREMIUM PAYBACK LIABILITY continued

c) Sensitivity analysis

i) Summary

The Company conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying actuarial assumptions. The movement in any key variable will impact the performance and equity of the Company. The table below provides a description of the processes used to determine these assumptions, as well as how a change in each assumption will affect the insurance liabilities.

Key variable	Description	Impact of movement in variable
Lapse rate	Rate used in calculating the discounted provision to allow for expected lapses, based on historical experience.	An increase or decrease in the lapse assumption would have an inverse impact on the premium payback liability and risk margin.
Risk margin	An estimate of the amount of uncertainty in the determination of the central estimate.	An increase or decrease in the risk margin would have a corresponding impact on the premium payback liability.
Discount rate	Rate used in calculating the discounted provision to allow for expected investment income, based on current yields on New Zealand government debt (risk free rates).	An increase or decrease in the discount rate assumption would have an inverse impact on the premium payback liability.

ii) Impact of key variables:

			Profit after tax 2022 $000		Equity 2022 $000
Recognised amounts in the financial statements			**14,069**		**121,045**
Variable	Movement in variable	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
		$000	$000	$000	$000
Lapse Rate	+1.0%	132	14,201	132	121,177
	-1.0%	(101)	13,968	(101)	120,944
Discount Rate	+1.0%	262	14,331	262	121,307
	-1.0%	(218)	13,851	(218)	120,827
Risk margin	+1.0%	(74)	13,995	(74)	120,971
	-1.0%	74	14,143	74	121,119

			Profit after tax 2021 $000		Equity 2021 $000
Recognised amounts in the financial statements			**16,319**		**115,476**
Variable	Movement in variable	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
		$000	$000	$000	$000
Lapse Rate	+1.0%	338	16,657	338	115,814
	-1.0%	(283)	16,036	(283)	115,193
Discount Rate	+1.0%	604	16,923	604	116,080
	-1.0%	(519)	15,800	(519)	114,957
Risk margin	+1.0%	(96)	16,223	(96)	115,380
	-1.0%	96	16,415	96	115,572

19. SHARE CAPITAL AND DISTRIBUTIONS

a) Share capital

	2022 $000	2021 $000
Ordinary shares		
Fully paid	51,200	51,200
Total contributed equity	**51,200**	**51,200**

The total authorised number of ordinary shares is 51.2 million with a par value of 100 cents per share. All issued shares are fully paid. There is one class of ordinary share. All shares issued carry equal voting rights.

i)	***Ordinary shares***	Ordinary shares issued by the Company are classified as equity and are recognised at fair value less direct issue costs.

b) Distributions

	2022 $000	2021 $000
Dividends paid during the period	**8,500**	**4,700**

i)	***Dividends***	Dividend distributions to the Company's parent company are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board.

20. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to its shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company has a number of levers, including adjusting the amount of dividends paid to the shareholder, returning capital to the shareholder, issuing new shares, selling assets, or raising debt.

The Company is required to comply with the *Solvency Standard for Non-Life Insurance Business (2014)* published by the Reserve Bank of New Zealand (RBNZ). The Solvency Standard determines the Minimum Solvency Capital (MSC) required. A requirement of nib nz limited's insurance licence is that it maintains capital above the MSC.

The overriding objective underpinning the capital management approach is to operate with a level of capital judged to be commercially prudent and within the bounds of the Board's risk appetite, which achieves a balance between:	Maintaining a buffer above the RBNZ MSC for the Company;
	Maintaining a level of capital that supports an appropriate financial strength rating; and
	Avoiding holding an excessive level of capital, which would otherwise act to reduce returns on capital for the Company.

The Company's internal solvency benchmark is 2.25x MSC. Any capital in excess of the benchmark, taking a 12-month forward looking view, will be reduced by way of dividend to nib nz holdings limited, unless management decide to retain funds for strategic purposes.

	2022 $000	2021 $000
Actual Solvency Capital	51,322	41,566
Minimum Solvency Capital	15,880	14,144
Solvency Margin	**35,442**	**27,422**
Solvency Ratio	3.23	2.94
Internal benchmark	2.25xMSC	2.25xMSC
Internal benchmark requirement	35,729	31,823
Surplus assets over internal benchmark	**15,593**	**9,743**

21. CONTINGENT LIABILITIES

The Company has no material contingent liabilities as at the reporting date (30 June 2021: nil). The Company is occasionally subject to claims and disputes as a commercial outcome of conducting insurance business. Provisions are recorded for these claims or disputes when it is probable that an outflow of resources will be required to settle any obligations. Best estimates are included within claims reserves for any litigation that has arisen in the usual course of business.

22. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Dividend declared

On 12 August 2022 the Directors of nib nz limited declared a gross dividend of $1,700,000. The cash dividend will be paid in August to the Company's parent entity nib nz holdings limited.

In accordance with NZ IFRS, the dividend declared on 12 August 2022 is not provided for in the financial statements as at 30 June 2022.

23. REMUNERATION OF AUDITOR

	2022 $000	2021 $000
a) PricewaterhouseCoopers New Zealand		
1. Audit services		
Audit of financial statements including group reporting procedures	300	212
Total remuneration for audit services	**300**	**212**
2. Non-audit services		
Tax consulting services	2	-
Other non-audit services	4	-
Assurance engagement over regulatory return	16	14
Total remuneration for non-audit services	**22**	**14**
Total remuneration of PricewaterhouseCoopers New Zealand	**322**	**226**

Non-audit services have been provided to the Company in relation to assurance over the regulatory solvency return, and non-assurance services in relation to tax advice, providing the Company with a generic benchmarking report of executive remuneration, and subscriptions to PwC generic training services.

24. RELATED PARTY TRANSACTIONS AND BALANCES

The Company is controlled by nib holdings limited (incorporated in Australia), the “Ultimate Parent”. nib nz holdings limited, the immediate parent owns 100% of the Company’s shares.

The following transactions were carried out with related parties:

a) Related party transactions

nib health funds limited and WNG Services Pty Limited are fellow subsidiaries of the Ultimate Parent. nib nz insurance limited is a fellow subsidiary of nib nz holdings limited. The Company entered into transactions with its related parties in the normal course of business. No debts have been written off or forgiven during the year. Transactions during the year are shown below:

	2022 $000	2021 $000	Nature of Relationship	Type of Transactions
nib holdings limited (Australia)	99	70	Ultimate Parent	Management fees paid
nib health funds limited (Australia)	11,142	7,926	Related party	Management fees received and paid
nib health funds limited (Australia)	1,952	1,570	Related party	Reimbursement of expenses paid
nib health funds limited (Australia)	(38)	(27)	Related party	Reimbursement of expenses incurred
WNG Services Pty Limited (Australia)	(180)	-	Related party	Management fees income
WNG Services Pty Limited (Australia)	173	694	Related party	Travel insurance expense incurred
nib nz insurance limited	(2,132)	-	Related party	Reimbursement of expenses incurred
nib nz holdings limited	520	-	Related party	Reimbursement of expenses paid
nib nz holdings limited	8,500	4,700	Parent	Dividend declared and paid

b) Related party balances

Related party receivable and payable balances of the Company at the reporting date were as follows. The receivable and payable balances are interest free and are payable on demand.

	2022 $000	2021 $000	Nature of Relationship	Type of Balance
nib holdings limited (Australia)	32	18	Ultimate Parent	Management fees payable
nib health funds limited (Australia)	3,916	2,623	Related party	Management fees and reimbursement of expenses payable
nib nz holdings limited	127	-	Related party	Reimbursement of expenses payable
nib nz insurance limited	(142)	-	Related party	Reimbursement of expenses receivable
WNG Services Pty Limited (Australia)	(45)	35	Related party	Management fees (receivable) and expenses payable

c) Key management personnel compensation

The remuneration of key management personnel, including staff and Independent Directors, during the year was as below:

	2022 $000	2021 $000
Salaries and short-term employee benefits	846	718
Share-based payments	431	374
Independent Directors' fees	276	237
	1,553	**1,329**

Key management personnel may be entitled to equity instruments in the form of shares of nib holdings limited refer to Note 25.

d) Loans to key management personnel

There have been no loans made to Directors of the Company and other key management personnel.

e) Other transactions with key management personnel and Directors

Key management and Directors also hold various insurance policies with the Company. These are operated on normal commercial terms.

25. SHARE-BASED PAYMENTS

a) Expenses arising from share-based payments transactions

	2022	2021
	$000	$000
Shares purchased on market under nib salary sacrifice plan and matching plan and salary sacrifice (NZ) rules and matching plan (NZ)	50	29
Performance rights granted under LTIP	242	158
Shares purchased on market under STI	149	150
	441	**337**

b) Long-term incentive plan (LTIP)

Performance rights to acquire shares in nib holdings limited are granted to executives under the LTIP. The LTIP is designed to align the interests of executives and shareholders and to assist nib in the attraction, motivation and retention of executives.

The LTIP participants are granted performance rights which enable executives to acquire shares in nib holdings limited for nil consideration if performance conditions are met and the employees are still employed by the nib Group at the end of the vesting period. The vesting date may be accelerated at the Board's discretion in the event of death of a participant, cessation of employment for other reasons; including total and permanent disablement, redundancy and retirement. The vesting date will also be accelerated on winding up, delisting, change of control and reconstruction or amalgamation.

Participation in the plan is at the nib holdings limited Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The nib Holdings Ltd Share Ownership Plan Trust administers the whole Group's Executive management Short-Term Incentive and LTIP. The Trust has been consolidated in the Ultimate Parent annual financial statements.

Performance rights granted under the plan:

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
15/12/2017	1/09/2021	-	42,252	-	(27,155)	(15,097)	-	-
23/11/2018	1/09/2022	-	40,324	-	-	-	40,324	-
21/12/2019	1/09/2023	-	38,648	-	-	-	38,648	-
27/11/2020	1/09/2024	-	64,197	-	-	-	64,197	-
26/11/2021	1/09/2025	-	-	49,551	-	-	49,551	-
			185,421	49,551	(27,155)	(15,097)	192,720	-

c) Short-Term Incentive (STI)

Eligible employees have a STI opportunity. For the CEO, the maximum target bonus opportunity is 100% (2021: 100%) of the base remuneration package with half of the calculated entitlement deferred into shares for one year.

The nib Holdings Ltd Share Ownership Plan Trust administers the Company's Executive management STI and LTIP. The Trust has been consolidated in the Ultimate Parent annual financial statements.

Shares issued by the Trust to the employees are acquired on-market prior to the issue. Shares held by the Trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in nib holdings limited financial statements.

Shares were purchased on market and brokerage fees are borne by nib health funds limited.

25. SHARE BASED PAYMENTS continued

d) Employee Share Purchase Scheme (ESPS)

Eligible New Zealand employees are offered the opportunity to receive part of their salary in the form of shares. All permanent employees who are an employee at the date the offer is made are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

ESPS is administered by the Board. Shares granted to the employees by the Board are acquired on-market via a third party trustee plan company.

Under the FY22 and FY20 ESPS, participating employees were allocated an aggregate market value up to NZ$1,000 worth of fully paid ordinary shares in nib holdings limited each financial year. In the FY21 ESPS employees were offered the opportunity to apply for NZ$340 worth of nib shares. Due to New Zealand tax legislation, the ESPS Rules require that each employee's contributions are not more than NZ$2,340 in total in any three-year period. This limit applies to contributions made by the employee, not the value of the shares received. Another requirement of the Rules is that all employees must be eligible to participate equally in the scheme. Subsequent offers under ESPS are at the Board's discretion.

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment. In all other respects shares rank equally with other fully-paid ordinary shares on issue.

	2022	2021
Number of shares purchased on market under the plan to participating employees	3,428	1,685

The FY22 ESPS shares were allocated on 30 August 2021 following nib's FY21 full year results presentation at a volume weighted average price of $6.71. The remaining tranche of shares were allocated on 23 February 2022 following nib's FY22 half year results presentation at a volume weighted average price of $6.79.

e) Salary Sacrifice Plan and Matching Plan

Eligible New Zealand business unit head employees are offered the opportunity to receive part of their salary in the form of shares, with an additional amount of shares contributed by the Group. Employees may elect not to participate in the plan.

The plan is administered by the nib holdings limited Board. Shares granted to the employees by the Board are acquired on-market via a third party trustee plan company.

Under the plan, participating employees are allocated an aggregate market value up to NZ$10,000 worth of fully paid ordinary shares in nib holdings limited, made up of NZ$5,000 salary sacrifice and NZ$5,000 matching company component. Subsequent offers under the plan are at the Board's discretion.

Shares issued under the scheme may not be sold until the earlier of three or seven years after issue, or cessation of employment. In all other respects shares rank equally with other fully paid ordinary shares on issue.

	2022	2021
Number of shares purchased on market under the plan to participating employees	3,467	3,657

f) Accounting Policy

The fair value of performance rights granted under the nib holdings LTIP is recognised as an employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the performance rights granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimate of the number of performance rights that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income, with a corresponding adjustment to intercompany payables.

The LTIP is administered by the nib Holdings Ltd Share Ownership Plan Trust. When the performance rights are exercised, the trust transfers the appropriate amount of shares to the employee. Under the STI, nib Salary Sacrifice Plan and Matching Plan, shares are acquired on-market and expensed.

26. INSURER FINANCIAL STRENGTH RATING

nib nz limited has an insurer financial strength rating of ‘A-’ (Strong) issued by S&P Global Ratings Australia Pty Ltd. The rating was issued in June 2022.

Directors’ Declaration

For the year ended 30 June 2022
nib nz limited

The Directors of nib nz limited present their report and financial statements of the Company for the year ended 30 June 2022.

During the year, the Company undertook its principal activity of providing health insurance services.

The after tax profit for the year was $14.1 million (30 June 2021: $16.3 million). Shareholders' equity at the end of the year totalled $121.0 million (30 June 2021: $115.5 million). The Directors consider the state of affairs of the Company to be satisfactory.

No disclosure has been made in respect of Section 211 (1)(a) and (e) to (j) of the *Companies Act 1993* following a unanimous decision by the shareholders in accordance with section 211 (3) of the Act.

The Company has arranged Directors' liability insurance for Directors and Officers of the Company and its related companies which provide protection for Directors and Officers as a result of actions undertaken by them in the course of their duties, other than conduct involving wilful breach of duty.

The Directors in office at the date of this report are:

- Jacqueline Chow
- Alan Clarke
- Mark Fitzgibbon
- Robert Hennin
- Hanne Janes
- Anne Loveridge
- Anthony Ryall

The Board of Directors authorised these financial statements for issue on the date signed below.

For and on behalf of the Board

Anthony Ryall Director	Anne Loveridge Director

18 August 2022

Independent auditor's report

To the shareholder of nib nz limited

Our opinion

In our opinion, the accompanying financial statements of nib nz limited (the Company), present fairly, in all material respects, the financial position of the Company as at 30 June 2022, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The financial statements comprise:

- the statement of financial position as at 30 June 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Our firm carries out other services for the Company in relation to assurance over the regulatory solvency return, and non-assurance services in relation to tax advice, providing the Company with a generic benchmarking report of executive remuneration, and subscriptions to PwC generic training services. Subject to certain restrictions, Partners and employees of our firm may also deal with the subsidiaries on normal terms within the ordinary course of trading activities of the Company. These services and relationships have not impaired our independence as auditor of the Company.

Key audit matters

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

Description of the key audit matter	How our audit addressed the key audit matter
Valuation of claims liabilities of $24.3 million (2021: $16.5 million) Refer to note 16 of the financial statements. The outstanding claims liability (OCL) is an estimate of expected payments to policyholders for unsettled insurance claims. We focused on the valuation of the outstanding claims liability because of the complexity and significance of judgements involved in its estimation. The Company's in-house actuaries estimate the outstanding claims liability using policy member and claims data. The estimate is reviewed by the external appointed actuary. A central estimate is determined based on a number of factors including: ● historical claims payment experience; ● timeliness of reporting of claims; ● evidence around any change in the cost of claims; and ● payment speed assumptions. In addition to the central estimate, a risk margin is applied to reduce the inherent estimation uncertainty, increasing the liability. In the year ended 30 June 2022, the impact of COVID-19 led to the Company experiencing a significant fall in claims from the deferral of treatments. As a result the Company increased its risk margin to allow for a higher level of future expected claims. Claims data The valuation of claims liabilities relies on the quality of the underlying data, including historical claims data.	We were assisted by our PwC actuarial experts to understand and evaluate the Company's actuarial methodology, and assumptions in determining the OCL recognised. Our audit procedures also included the following: ● Obtaining an understanding of, and evaluating, the Company's processes and controls over the valuation of claims liabilities. ● Evaluating whether the Company's actuarial methodologies were consistent with accepted industry practice and prior periods, and whether changes in the methodology were appropriate. ● Assessing and challenging the appropriateness of key actuarial assumptions, including the claims payment patterns, claims handling costs, and the increase in risk margin, by comparing them with our expectations based on the Company's historical experience, current observable trends and our own industry knowledge. Claims data used in the determining the valuations of the claims liabilities We evaluated the design effectiveness, implementation and tested the operating effectiveness of key controls over the acceptance and payment of claims, including testing key reconciliations supporting the data used in the valuation process. On a sample basis, we tested the underlying data used in the valuations by: ● Reconciling claims data used in the calculation of the valuations to the policyholder system. ● Testing of claims paid to supporting documentation.

Description of the key audit matter	How our audit addressed the key audit matter
Valuation of premium payback liability of $11.5 million (2021: $19.0 million) Refer to note 18 of the financial statements. The Company has hospital cover policies that include a payback feature (payback policies). These products are no longer marketed or sold. Customers holding these payback policies, subject to certain conditions, are entitled to receive a refund of a proportion of premiums paid to the Company less any claims made against their policy. The valuation of the premium payback liability is a key audit matter because of the complexity and judgement involved in the estimation process given the long-term nature of the products and the assumptions made in relation to discount rates, lapse rates and risk margin. The risk margin increases the liability and attempts to reduce the impact of the inherent estimation uncertainty. The valuation also relies on the quality of underlying policyholder data, including historical premiums and claims data. The Company's in-house actuaries determine the estimate of the premium payback liability, which is reviewed by the external appointed actuary.	We evaluated the design effectiveness, implementation and tested the operating effectiveness of key controls over premiums received and claims paid, and reviewed key reconciliations supporting the data used in the valuation process. We were assisted by our PwC actuarial experts to understand and evaluate the Company's methodology and the assumptions established for the premium payback liability. Our audit procedures included the following: ● Evaluating whether the Company's actuarial methodology is consistent with accepted industry practice and prior periods, and whether changes in the methodology were appropriate. ● Assessing and challenging the appropriateness of key assumptions, including the discount rates, lapse rates, and risk margin, by comparing them with our expectation based on the Company's historical experience, current observable trends, market data and industry knowledge. ● Reconciling a sample of policyholder data used in the calculation of the valuation to the policyholder system.
Amortisation and recoverability of deferred acquisition costs (DAC) of $15.5 million, of which $1.7 million is presented as current and $13.8 million is presented as non-current (2021: $17.8 million) Refer to note 11 of the financial statements. The Company recognises DAC for the up-front commission paid to brokers on signing new customers. The DAC is amortised over the expected life of the insurance contract. DAC is a key audit matter because of the judgement involved in determining the expected life of the insurance contract (run-off period) for assessing the recoverability of the DAC.	We evaluated the design effectiveness and implementation of the processes, controls and methodology used by the Company to determine the DAC run-off period and recoverability of the balance. Our audit procedures included: DAC amortisation ● Reviewing that the methodology and assumptions used were consistent with prior periods. ● On a sample basis, testing the reconciliation of data to the policyholder system. ● Testing the accuracy of the amortisation calculation by recalculating the amortisation on a sample of policies.

Description of the key audit matter	How our audit addressed the key audit matter
This assessment considers the net present value of the future estimated cash flows for those policies that are subject to the up-front commission. If the net present value is higher than the DAC balance, the asset is considered to be recoverable. In addition, the Liability Adequacy Test (LAT), as disclosed in note 17 of the financial statements, also provides the Company with an indication on the recoverability of the DAC. The LAT considers the sufficiency of the liabilities for claims against the unearned premium liability net of associated DAC. As described in Note 17, it is anticipated that many claims have been deferred as a result of COVID-19 with members expected to receive treatment in the next financial year. The increased projected claims due to COVID-19 impacts, resulted in a LAT deficiency of $5.2 million. The deficiency resulted in a $5.2 million write-down of deferred acquisition costs (2021: nil).	DAC recoverability ● We assessed the methodology and assumptions used by management to assess the net present value of future cash flows to that which we would expect based on our industry and expert knowledge. ● We were assisted by our PwC actuarial experts to understand and evaluate the Company's methodology and the assumptions applied in the LAT test including the write down of DAC, and consistency with accepted industry practice and prior periods.

Our audit approach

Overview

Materiality	Overall materiality: $1,124,000, which represents approximately 5% of the weighted average profit before tax for the past three financial reporting years. We chose weighted average profit before tax as the benchmark because, in our view, profit before tax is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. In our judgement, a three year weighted average profit before tax provides a more stable basis for calculating materiality, allowing for possible volatility in claims experience. A higher weighting is given to more recent financial reporting years.
Key audit matters	As reported above, we have three key audit matters, being: ● Valuation of claims liabilities ● Valuation of premium payback liability ● Amortisation and recoverability of deferred acquisition costs (DAC).

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

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

Materiality

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

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

Other information

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor’s report.

Who we report to

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

The engagement partner on the audit resulting in this independent auditor’s report is Vatsana Vanpraseuth.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
18 August 2022

Auckland

Corporate Governance Statement

Board role & responsibilities

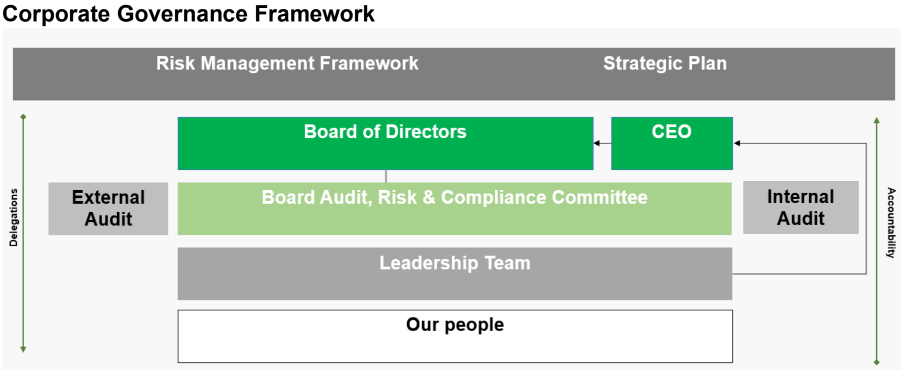
nib nz limited's (**nib**) Board provides overall strategic guidance for the company and effective oversight of management. The Board ensures that the activities of the company comply with its Constitution, from which the Board derives its authority to act, and in accordance with all legal and regulatory requirements.

To achieve this role, the Board Charter reserves the following responsibilities to the Board:

- overseeing the development of nib's strategy and approving strategic plans;
- oversight of management;
- ensuring effective shareholder communication and the exercise of shareholder rights;
- monitoring environmental, employment and WHS policies, and policies governing nib's relationship with other stakeholders;
- approving the company values and reviewing the embedding of those values throughout the organisation;
- continually reinforcing the desired culture of acting lawfully, ethical business practices and responsible decision making;
- endorsing and supporting the nib Group Code of Conduct;
- monitoring nib's risk culture;
- oversight of financial and capital management; and
- overseeing nib's systems of audit, compliance and risk management.

The Board has delegated to the Chief Executive Officer the authority to manage the day-to-day operations of the business in relation to all matters other than those responsibilities reserved to itself through formal Delegations of Authority. The CEO has authority to sub-delegate.

Corporate Governance Framework



Code of Ethics

The company operates under the nib Group Code of Conduct (available at nib.com.au/shareholders) which applies to all Directors, officers, employees, contractors, consultants and associates of nib. The Code of Conduct sets out nib's ethical standards and rules and provides a framework to guide compliance with legal and other obligations to stakeholders. To support the Code of Conduct, nib has a Group Ethics Framework weaving together it's purpose, values and principles to establish a clear point of reference for employees when making decisions across the organisation.

Our Values

• Making the world a better place • The status quo is death • Without taking risk we cannot grow • Extraordinary people do extraordinary things • Everyone deserves respect • Members and travellers have choice • If it's worth doing, it's worth doing better than anyone else • We before me • Being accountable • Smart is cool

Committee of the Board

The Board Audit, Risk & Compliance Committee (**BARCC**) assists and makes recommendations to the Board on:

- nib's external audit function, including the competency, fees, independence and performance of the external auditors
- the adequacy of nib's corporate reporting processes and integrity of the financial statements and other material regulatory documents
- the competency, fees, independence and quality of services provided by nib's Appointed Actuary
- the competency, fees, independence and performance of the internal audit function, including ongoing monitoring of significant findings and management's responses
- the effectiveness of nib's system of risk management, including the appropriateness of risk policy, risk management strategy, risk management framework and management of conduct risk
- nib's systems and procedures for compliance with applicable legal and regulatory requirements
- monitoring solvency and compliance with nib's Capital Management Plan;
- the propriety of related party transactions
- the social, environmental and ethical impacts of nib's business practices

The BARCC Chair is Anne Loveridge, an independent, non-executive director who is not Chair of the Board. The other two members of the BARCC are Hanne Janes (independent, non-executive director) and Nick Freeman (nib Group CFO and executive Committee member). All Directors are invited to attend the BARCC meetings, as observers, and all receive the papers for the BARCC meetings.

Board Composition & Independence

As at 30 June 2022, there are seven directors of the Board with five of these directors including the Chairperson, considered independent, in line with the Board Charter. Four of the directors are ordinarily resident in New Zealand. Details of the qualifications and experience of each Director and Committee Member are set out here.

Tony Ryall – Chairman and Independent Non-Executive Director

BBS (Massey University)

Tony was appointed as Chairman of nib nz limited in July 2016 and nib nz insurance limited in April 2022. He took on the Chairman role for nib nz limited after serving as an Independent Director since February 2015.

Tony was a member of the New Zealand Parliament for 24 years. He served as a cabinet minister from 2008 until his retirement from public life in 2014 holding positions as Minister of Health, Minister of State Services and Minister of State Owned Enterprises.

Tony was appointed a Companion of the New Zealand Order of Merit for services as a Member of Parliament in the 2015 New Year Honours. He is the Chief Executive Officer of BestStart Educare, New Zealand's largest provider of early childhood education.

Rob Hennin – Chief Executive Officer and Executive Director

B.A.(University of Otago), GAICD

Rob joined nib nz limited as Chief Executive Officer and a Director in May 2013 and nib nz insurance limited in April 2022. Rob is the Chairman of nib Travel Pty as well as nib's joint venture with Chinese pharmaceutical company, Tasly and Chairman of Auoha Insurance. He is also an Industry Representative for New Zealand's Insurance and Financial Services Ombudsman Commission.

Rob has held several senior management and Executive-level positions with American Express, Visa and Unilever - leading international teams to build global brands, create innovative platforms and develop new products.

Rob also has 10 years Non–Executive Director experience across a range of industries, including health, education and humanitarian aid and acts as an advisor on governance and strategy to not-for-profit organisations.

Anne Loveridge – Independent Non-Executive Director

BA (University of Reading), FCA, GAICD

Anne was appointed to the Board of nib holdings limited in February 2017, has been a Director of nib nz limited since October 2017 and a Director of nib nz insurance limited since April 2022. She is also a Director of nib health funds limited.

Anne is Chair of nib nz holdings limited's Audit Committee and nib nz limited and nib nz insurance limited's Board, Audit, Risk and Compliance Committee. She is also Chair of the nib holdings limited Audit Committee and member of the Risk and Reputation Committee, Nomination Committee and Investment Committee.

Anne has over 35 years' experience in banking, wealth management, private equity and property. She has extensive knowledge of financial and regulatory reporting, risk management controls and compliance frameworks.

Formally trained as a Chartered Accountant, Anne has a breadth of experience in financial reporting, auditing, risk, ethics and regulatory affairs following her 31 years with PwC Australia, where she retired as Partner and Deputy Chair in 2015. Anne is a Non-Executive Director of Platinum Asset Management (Chair of the Audit, Risk and Compliance Committee), a Non-Executive Director of National Australia Bank Limited (Chair of the Remuneration Committee) and a Director of Destination NSW.

Anne is also a Fellow of the Chartered Accountants Australia and New Zealand.

Hanne Janes – Independent Non-Executive Director

BA (University of Auckland), LLB (Hons) (University of Auckland)

Hanne was appointed as a Director of nib nz limited in November 2016 and nib nz insurance limited in April 2022.

For the past two decades Hanne has been a practicing barrister, prior to which she worked as a management consultant with Deloitte.

With more than 20 years' specialist expertise in the healthcare sector, Hanne brings a thorough understanding of the national health landscape, including Government policy and funding, healthcare delivery, as well as regulatory and compliance requirements. Hanne was appointed as Counsel Assisting the Government Inquiry into Mental Health and Addiction. She also has extensive experience in commercial and corporate law, together with a detailed knowledge of workplace health and safety.

Alan Clarke – Independent Non-Executive Director

BSc (Hons) (University of Otago), MBA (University of Otago), CFInstD

Alan was appointed as Director of nib nz limited in March 2013 and nib nz insurance limited in April 2022.

Alan was the National Chief Executive of multinational SGS in New Zealand and Australia for ten years then CEO and Managing Director of publicly listed Abano Healthcare Group for sixteen years. He then headed Hellaby Holdings as Managing Director prior to retiring from senior management positions to be appointed to the Independent Chair role of publicly listed Cavalier Corporation.

Alan has held both executive and independent director roles in several private and publicly listed companies and has over 30 years senior management and board experience in New Zealand and Australian-based health and medical companies.

Mark Fitzgibbon – Executive Director

MBA(UTS), MA(MGSM), ALCA(Charles Sturt University), FAICD

Mark was appointed as a Director of nib nz limited in November 2012 and nib nz insurance limited in April 2022.

He joined nib health funds limited in October 2002 as Chief Executive Officer and led nib through its demutualisation and listing on the ASX in 2007 when he was appointed Managing Director of nib holdings limited.

Mark is a Director of nib health funds limited, as well as other nib holdings limited subsidiaries, including World Nomads Group Pty Limited. He is also a member of nib holding's Nomination Committee.

As Managing Director, Mark's strategic focus has been to grow and diversify nib's business and with that earnings by leveraging nib's capability, systems and people. This has seen nib grow significantly in recent years organically and inorganically, both in existing and new markets.

Jacqueline Chow – Independent Non-Executive Director

B.Sc (Hons)(University of New South Wales), MBA (Northwestern University, Chicago), GAICD

Jacqueline was appointed to the Boards of nib nz limited and nib nz holdings limited in November 2021 and to the Board of nib nz insurance limited in April 2022. Jacqueline is also a Director of nib Group entities, nib holdings limited and nib health funds limited.

Jacqueline has more than 20 years' experience working with global blue-chip consumer product multinationals in a range of executive and non-executive positions in general management, strategy, marketing as well as technology and innovation. Her early career concentrated on business analytics, brand equity and marketing.

Jacqueline has significant global experience driving strategic growth and innovation across customer and consumer brands for the likes of Fonterra, Campbell Arnott's and the Kellogg Company.

Jacqueline was previously Deputy Chair of Global Dairy Platform and a Director of Fisher & Paykel Appliances in New Zealand, Dairy Partners Americas, the Riddet Institute (Massey University NZ) and The Arnott's Foundation.

Jacqueline is currently a Non-Executive Director of Coles Group Limited, Charter Hall Group, Boral Limited. Jacqueline is a Non-Executive Director of the Australia-Israel Chamber of Commerce and a senior advisor with McKinsey & Company RTS. She is also a member of Chief Executive Women.

Nick Freeman – Committee Member

BCom (University of Melbourne), GradDipMgt (Monash University)

Nick joined nib holdings limited in 2020 as Group Chief Financial Officer (CFO) with responsibility for the Finance and Corporate Services Division across the nib Group. A Chartered Accountant with more than 25 years' experience in accounting and finance, Nick prior to joining nib was Group CFO and Company Secretary at ASX-listed Mayne Pharma, while also previously holding CFO roles for both Australia and New Zealand with ANZ Banking Group.

Nick has worked as an executive in a number of industries such as healthcare, financial services, consumer, retail and aviation. He has extensive experience in financial and management accounting, mergers and acquisitions, integration management, tax, financial planning and analysis, risk management, treasury and investor relations.

Board Policies

The following policies have been approved by the Board:

- Capital Management Plan
- Fit and Proper Policy
- Risk Management Strategy and related Procedures
- Delegations of Authority
- Conflicts of Interest and Related Party Transactions Policy
- Actuarial Advice Framework
- Work Health & Safety Charter
- Remediation Policy
- Vulnerable Members Policy

Additionally, as a member of the nib Group of companies the Company also operates under the Privacy Policy, Trading Policy, Whistleblower Policy and the other Corporate Governance polices available at nib.com.au/shareholders.

finity

Actuarial and Insurance Consultants

18 August 2022

Mr Nick Cory
Chief Financial Officer
nib nz limited
48 Shortland Street
AUCKLAND 1010

Dear Nick

Review of Actuarial Information contained in the Financial Statements as at 30 June 2022

Finity Consulting Pty Limited (Finity) has been asked by nib nz limited (nib nz) to carry out a review of the 30 June 2022 actuarial information contained in the financial statements and provide an opinion as to its appropriateness. This letter sets out the findings of our review, as required under Section 78 of the Insurance (Prudential Supervision) Act 2010 (the Act).

Jamie Reid is an employee of Finity and is the Appointed Actuary of nib nz. Jamie Reid and Finity have no relationship with nib nz apart from the Appointed Actuary role.

The actuarial information in the financial statements was prepared by nib nz staff, and reviewed by the Appointed Actuary. The scope of my work was to undertake the review required by Section 77(1) of the Act. No limitations were placed on my review by the company, and I obtained all the information and explanations I requested. The review included examining the financial models and documentation prepared by nib nz, and discussing the basis for key assumptions with the company's actuarial staff.

In my opinion and from an actuarial perspective:

- The actuarial information contained in the financial statements has been appropriately included in those statements.
- The actuarial information used in the preparation of the financial statements has been used appropriately.
- nib nz is maintaining the solvency margin that applies under a condition imposed under section 21(2)(b), noting that the required margin is $0.

This report is being provided for the sole use of nib nz for the purpose stated above. It is not intended, nor necessarily suitable, for any other purpose and should only be relied on the purpose for which it is intended.

Yours sincerely

Jamie Reid
Appointed Actuary
Fellow of the New Zealand Society of Actuaries
Fellow of the Institute of Actuaries of Australia