POLICE HEALTH PLAN LIMITED

FINANCIAL STATEMENTS

30 JUNE 2022

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POLICE HEALTH PLAN LIMITED
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $	2021 $
UNDERWRITING ACTIVITIES			
Premium revenue		47,779,082	46,039,360
Claims expense	2	(42,134,839)	(42,239,524)
TOTAL REVENUE		5,644,243	3,799,836
REVENUE FROM EXCHANGE TRANSACTIONS			
Investment income		(2,728,538)	813,920
INVESTMENT INCOME PLUS UNDERWRITING ACTIVITIES		2,915,705	4,613,756
EXPENDITURE			
Employee benefit expense	7	(1,439,811)	(904,378)
Professional Fees	8	(437,256)	(372,445)
IT Expenses	12a	(398,010)	(650,625)
Insurance and Other Fees		(298,380)	(69,825)
Communications		(215,566)	(189,018)
Depreciation & Amortisation	11	(9,916)	(5,967)
Administration	12a	(96,020)	(53,757)
Property & Premise Expenses		(60,000)	(45,600)
District, Regional & Board Expenses		(100,983)	(64,350)
Marketing		(36,669)	(36,918)
TOTAL EXPENDITURE		(3,092,611)	(2,392,883)
TOTAL SURPLUS/(DEFICIT) FOR THE YEAR		(176,906)	2,220,874

POLICE HEALTH PLAN LIMITED
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Note	Accumulated Revenue and Expense	Share Capital	Total Equity
2022				
Opening balance at 1 July 2021		40,736,317	1,000	40,737,317
Total Surplus/(Deficit) for the Year		(176,906)	-	(176,906)
Closing balance 30 June 2022		40,559,411	1,000	40,560,411
2021 (restated)				
Opening balance at 1 July 2020	12b	38,515,443	1,000	38,516,443
Total Surplus/(Deficit) for the Year	12b	2,220,874	-	2,220,874
Closing balance 30 June 2021		40,736,317	1,000	40,737,317

POLICE HEALTH PLAN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 $	2021 $
CURRENT ASSETS			
Cash and Cash Equivalents	13a	4,952,832	2,584,238
Investments	10	45,275,279	48,154,038
Trade & Other Receivables from exchange transactions		245,821	370,779
TOTAL CURRENT ASSETS		50,473,933	51,109,055
NON CURRENT ASSETS			
Property, Plant & Equipment	11	20,131	19,137
TOTAL NON CURRENT ASSETS		20,131	19,137
TOTAL ASSETS		50,494,064	51,128,192
CURRENT LIABILITIES			
Provision for Claims	3	8,955,000	9,556,000
Unearned Premium Liability	3	641,903	658,526
Unexpired Risk on Premiums Received in Advance	3	105,000	76,000
Trade & other Payables under exchange transactions		136,563	75,713
Employee Benefits		95,188	24,637
TOTAL CURRENT LIABILITIES		9,933,654	10,390,876
TOTAL LIABILITIES		9,933,654	10,390,876
NET ASSETS/EQUITY			
Accumulated Revenue and Expense	12b	40,559,411	40,736,317
Share Capital		1,000	1,000
TOTAL NET ASSETS/EQUITY		40,560,411	40,737,317
TOTAL NET ASSETS/EQUITY AND LIABILITIES		50,494,064	51,128,192

Director
28 September 2022

Director
28 September 2022

POLICE HEALTH PLAN LIMITED
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Was Provided From:			
Receipts From Members		47,693,069	43,295,573
Interest Income		39,350	-
		47,732,419	43,295,573
Cash Was Applied To:			
Claims Paid		(42,735,839)	(41,567,403)
Payments To Suppliers, Members & Employees	12d	(2,617,075)	(2,417,285)
		(45,352,914)	(43,984,687)
NET CASH INFLOW FROM OPERATING ACTIVITIES	9	2,379,504	(689,114)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Was Applied To:			
Purchase of Property, Plant & Equipment		(10,910)	-
Purchase of Investments		-	(887,484)
		(10,910)	(887,484)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(10,910)	(887,484)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		2,368,595	(1,576,598)
Opening Cash and Cash Equivalents		2,584,238	4,160,836
		4,952,832	2,584,238

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. BASIS OF ACCOUNTING

Note 1a. Reporting entity

Police Health Plan Limited (the "Company") is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993. The Company provides health insurance to members of the New Zealand Police and their families.

The financial statements are those of the Company for the year ended 30 June 2022. The financial statements were authorised for issue by the directors on 27 September 2022. The registered office is Level 11 Findex House, 57 Willis Street, Wellington.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Company is a Tier 1 Public Benefit Entity, and its primary objective is to provide health insurance to members of the New Zealand Police.

The Company is a subsidiary of Police Welfare Fund Limited and is part of New Zealand Police Association Group. Its equity has been provided in order to serve this primary objective rather than for a financial return to equity holders.

The Company is an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013, and the financial statements are compliant with this act.

The financial report is a general-purpose financial report which has been prepared in accordance with the Financial Reporting Act 2013.

The Company is required to be fully licensed under section 19 of the Insurance (Prudential Supervision) Act 2010. The Company was licensed by the Reserve Bank of New Zealand on the 7th of May 2013.

Note 1b. Statement Of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with Public Benefit Entity Accounting Standards ("PBE Standards") as applicable for Tier 1 not-for-profit public benefit entities.

The financial statements have been prepared using historical cost, as modified by the revaluation of certain assets and liabilities (refer to NOTE 4 and NOTE 10) and the accrual basis of accounting. They are presented in New Zealand Dollars, which is the Company's functional and presentational currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar, unless otherwise stated.

Apart from the change disclosed in Note 1d there have been no other changes in accounting policy that materially affect the financial statements. All accounting policies have been applied on a consistent basis with the prior year.

NOTE 1. BASIS OF ACCOUNTING continued

Note 1c. Critical accounting judgements, estimates and assumptions

Key judgements and estimates made in compiling these financial statements are highlighted in the notes and summarised below. Significant change in any of these could have a material impact on the financial statements at 30 June 2022.

NOTE 3	Insurance contract liabilities	Page 11
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NOTE 12	Changes in Accounting Policy Software as a Service arrangements	Page 19

Note 1d. Accounting Policies

Premium Revenue

Health Plan premiums are recognised from the attachment date being the date on which the insurer accepts the risk of the insured and is spread over the period of insurance cover. Premiums are paid in advance and accordingly at reporting date, the advance portion is recorded in the statement of financial position as an 'Unearned Premium Liability'.

Investment Income

Investment income comprises interest income on financial assets and fair value gains on financial assets at fair value through surplus or deficit. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

Income Tax

The Company is a Sickness, Accident & Death Benefit Fund and is exempt from income tax under section CZ18 of the Income Tax Act 2007.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Goods and services tax (GST)

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

Other accounting policies

Other significant accounting policies adopted in the preparation of these financial statements are provided throughout the notes to the financial statements.

Note 1e. Implementation of IFRIC agenda decision and new accounting policy

During the year, the Company revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below. Historical financial information has been restated to account for the impact of the change and is presented in.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Note 1f. Financial reporting standards not yet effective

At the date of authorisation of the financial statements of the Company for the year ended 30 June 2022, the following PBE Standards were in issue but not yet effective:

At the date of authorisation of the financial statements of the Company for the year ended 30 June 2022, the following PBE Standards were in issue but not yet effective:

Standard	Effective Date	Effective for the Company
PBE FRS 48 Service Performance Reporting	1 January 2022	30 June 2023
PBE IPSAS 41 Financial Instruments	1 January 2022	30 June 2023
PBE IFRS 17 Insurance Contracts	1 January 2023	30 June 2024

PBE FRS 48 - Service Performance Reporting

This standard will be adopted by the Company for the first time for its financial reporting period ended 30 June 2023. This standard establishes requirements for Tier 1 and Tier 2 public benefit entities to select and present service performance information. Service information is information about what the entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information. Key performance indicators are already disclosed in the Annual Report and therefore the Company does not expect this to be a significant change.

PBE IPSAS 41 Financial Instruments

This standard will be adopted by the Company for the first time for its financial reporting period ended 30 June 2023. This standard establishes requirements for Tier 1 and Tier 2 public benefit entities for the recognition and measurement of financial instruments.

The Company's financial assets consist of cash and cash equivalents, investments and trade and other receivables. Classification changes are listed below.

Financial Assets	Current classification	Expected classification
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Investments	Fair value through surplus or deficit	Fair value through surplus or deficit

Financial Liabilities	Current classification	Expected classification
Trade and other payables	Amortised cost	Amortised cost

The standard also introduces new impairment requirements. For the Company, this is applicable to financial assets measured at amortised cost (i.e., trade receivables). At initial recognition, an entity is required to recognise a loss allowance which consists of expected credit losses from defaults possible within 12 months of reporting date. The Company has short term trade receivables (i.e., due on a fortnightly or monthly basis) and will apply the simplified approach.

Based on the Group's assessment of the impact of transitioning to PBE IPSA 41, there will be minimal impacts on the measurement of the Group's financial instruments as currently stated at reporting date, other than bad debt provisioning, which would result in an increased to the bad debt provision of $17,000 if the ECL model was applied at reporting date.

NOTE 1. BASIS OF ACCOUNTING continued

PBE IFRS 17 Insurance Contracts

PBE IFRS 17 Insurance Contracts was issued in July 2019 by New Zealand Accounting Standards Board of the External Reporting Board as a replacement for *PBE IFRS 4 Insurance Contracts*, with amendments to PBE IFRS 17 issued in Aug 2020. The final standard will be effective for annual periods beginning on or after 1 January 2023. Therefore, this standard will be adopted by the Company for the first time for its financial reporting period ended 30 June 2024.

PBE IFRS 17 requires a current measurement model where estimates are remeasured each reporting period. Under the general measurement model, contracts are measured using the building blocks of discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. However, an optional, simplified premium allocation approach is permitted for eligible short-duration contracts.

Impact of adoption of new standards
The implementation of IFRS 17 is progressing well. The Company is assessing the impacts on its financial statements.

NOTE 2. CLAIMS EXPENSE

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

	2022 $	2021 $
Claims incurred relating to risks borne in current financial year	(42,072,839)	(42,279,639)
Claims incurred relating to risks borne in previous financial years	(1,000)	(2,790)
Movement in provision for claims handling costs	(6,000)	(18,820)
Movement in provision for ACC recoveries	-	442
Movement in risk margin	(56,000)	61,283
Net Claims incurred	(42,135,839)	(42,239,524)
Claims Incurred	(42,135,839)	(42,239,524)

NOTE 3. INSURANCE CONTRACT LIABILITIES

	2022 $	2021 $
Provision for claims	8,955,000	9,556,000
Unearned premium liability	641,903	658,526
Provision for unexpired risk	105,000	76,000
	9,701,903	10,290,526
Assets backing insurance contract liabilities	45,275,279	48,154,037

Police Health Plan hold an investment portfolio with ANZ Investments as security over their insurance liabilities. The carrying value of investments that back general insurance liabilities is the fair value of these assets. Assets backing insurance liabilities have been determined as the investment portfolio as it is highly liquid, and funds can be withdrawn on demand in order to meet insurance contract liabilities.

POLICIES

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract. The Company has determined that all health insurance policies provided by Police Health Plan Limited to members are insurance contracts.

Acquisition costs

Acquisition costs are those incurred in acquiring and recording insurance contracts that will give rise to future benefits from premiums. The Company's acquisition costs do not directly relate to future premium revenue and so are immediately expensed.

NOTE 3. INSURANCE CONTRACT LIABILITIES continued

Note 3a. Provision for outstanding claims

The liability for outstanding claims comprises claims incurred but not settled at the reporting date, whether reported or not. A central estimate is made of claims reported but not paid, claims incurred but not reported and claims incurred but not adequately reported. The claims provision includes expected claim payments plus associated claims handling costs. In addition, a risk margin is added to reflect the inherent uncertainty in the estimates of claims.

	2022	2021
	$	$
Central estimate of outstanding claims liability	6,942,000	7,181,000
Claims handling costs	174,000	180,000
Claims previusly declined	1,100,000	1,400,000
ACC Recoveries	(74,000)	(74,000)
Risk margin	813,000	869,000
Closing balance	8,955,000	9,556,000

As a result of an internal policy review in 2021, Police Health Plan identified historic claims that were declined incorrectly and are required to be paid under the Insurance Law Reform Act. The estimate shown represents the estimated value of claims identified in the review that is still to be paid out plus an allowance for overheads and potential remediation costs.

The Financial Markets Authority were advised of the breach and Police Health Plan's remediation proposal.

POLICIES

The liability for outstanding claims comprises claims incurred but not settled at the reporting date, whether reported or not. A central estimate is made of claims reported but not paid, claims incurred but not reported and claims incurred but not adequately reported. The claims provision includes expected claim payments plus associated claims handling costs. In addition, a risk margin is added to reflect the inherent uncertainty in the estimates of claims.

NOTE 3. INSURANCE CONTRACT LIABILITIES continued

Note 3b. Reconciliation of movement in provision for claims

	2022	2021
	$	$
Opening balance	9,556,000	8,884,885
Amounts utilised during the year	(7,180,000)	(7,950,000)
Movement in ACC Recoveries	-	442
Movement in Risk margin	(56,000)	61,283
Movement in Claims Handling Costs	(6,000)	(18,820)
Amounts provided during the year	6,641,000	8,578,210
Closing balance	8,955,000	9,556,000

Note 3c. Reconciliation of movement in unearned premiums liability

	$	$
Opening balance	658,526	768,281
Premiums written during year	47,762,459	45,929,605
Premiums earned during year	(47,779,082)	(46,039,360)
Closing balance	641,903	658,526

Note 3d. Provision for unexpired risk

	$	$
Expected future cashflows for claims and expenses	635,903	625,526
Risk margin	111,000	109,000
Less Unearned Premium	(641,903)	(658,526)
Closing Balance	105,000	76,000

Reconciliation of movement in provision for unexpired risk	$	$
Opening Balance	109,000	2,464,000
Reversal of Opening Balance	(109,000)	(2,464,000)
Risk Margin	105,000	109,000
Closing Balance	105,000	109,000

POLICIES

A liability adequacy test is performed to assess whether there is any deficiency in the unearned premium liability arising from expected claims and administration costs during the period covered by the unearned premium. The test is performed on all the policies as a whole as risks are broadly similar and are managed together as a single portfolio. The central estimate of claims and administration expenses is calculated. In addition, a risk margin is added to reflect the inherent uncertainty in estimating the claims.

The total is compared with the unearned premium liability. Any deficiency is recognised as an expense in determining the surplus or deficit before tax in the Statement of comprehensive revenue and expense after first writing down any deferred acquisition costs. The deficiency in excess of deferred acquisition costs is recognised in the Statement of Financial Position as an unexpired risk provision.

NOTE 4. ACTUARIAL INFORMATION

The estimate of outstanding claims as at 30 June 2022 has been determined by Charles Cahn FIAA, a Fellow of the New Zealand Society of Actuaries and was presented to the directors of Police Health Plan Limited in a report dated 17 August 2022. There were no qualifications to the report. The calculation of the provision for outstanding claims complies with both *PBE IFRS 4: Insurance Contracts*, and the *Professional Standard 30 – Valuation of General Insurance Claims*, of the New Zealand Society of Actuaries. The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the provision.

Outstanding Claims Provision

The central estimate used the Adjusted Chain Ladder method. In the past this has been checked against the Past Actual Outstanding Claims Liabilities as a reasonableness check but due to COVID 19 the last year's data was not useful and has not been used this year.

Estimation of outstanding claims liabilities includes an allowance for claims incurred but not reported, claims incurred but not adequately reported, unpaid reported claims and future claims handling costs associated with paying claims. An explicit allowance has been made for expected ACC recoveries.

A risk margin has been added to reflect the inherent uncertainty in the central estimate. A risk margin of 10% of the outstanding claims was established at 30 June 2022 (30 June 2021: 10%). The risk margin was deemed appropriate by the actuary based on Australian Experience adjusted for New Zealand's slower run off patterns.

Key assumptions:

a. Future patterns of claims development will be similar to historical patterns (apart from the periods in 2020 and 2021 when claims and claims development was affected by the COVID 19 lockdown).
b. ACC recoveries have been estimated based on past patterns of payments made on outstanding cases at year end. This includes an adjustment for recovery (98%) (30 June 2021: 98%) and a management fee of 25% (30 June 2021: 25%).
c. A 2.5% loading (30 June 2021: 2.5%) for claims management expenses on expected future claims.
d. A risk margin of 10% (30 June 2021: 10%).
e. Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. Direct claims handling costs were determined to be approximately 2.0% (30 June 2021: 2.1%) of the underlying claims amounts based on an analysis of administration expenses and this was increased to 2.5% to allow for indirect costs.
f. Expected future payments are not discounted due to the short tail nature of the liabilities.

Claims handline costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. Claims handling costs were determined to be approximately 2.5% (30 June 2021: 2.5%) of the underlying claims amounts based on an analysis of administration expenses.

As at 30 June 2022, the expected settlement date for claims included in the liability for outstanding claims is no more than 2 to 3 months for most claims (30 June 2021: no more than 2 to 3 months). Accordingly, expected future payments are not discounted due to the short-term nature of the liabilities.

NOTE 4. ACTUARIAL INFORMATION continued

Unexpired risk provision and liability adequacy test

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

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

The unexpired risk liability has been calculated as the projected premium deficiency for current in-force business until the next policy billing date on or after 5 July 2022.

The calculation of the risk margin has been based on an analysis of volatility of historical claims experience within the time period covered by the unearned premiums. A risk margin of 17.5% of the present value of expected future cash flows has been applied at 30 June 2022 (30 June 2021: 17.5%). The risk margin was determined with the objective of achieving at least 75% probability of sufficiency of the unexpired risk liability.

Key assumptions:

a. Future patterns of loss ratios will be similar to historical patterns.

NOTE 5. SOLVENCY AND CAPITAL ADEQUACY

The Company is a not-for-profit organisation. As a consequence of its legal structure the Company has no recourse to external capital and therefore internally generated capital is of paramount importance. The Company's capital is equal to the equity reserves as disclosed in the financial statements.

The Directors' policy for managing capital is to have a strong capital base to establish security for members and enable the Company to conduct its business whilst maintaining financial soundness.

Police Health Plan Limited calculates its capital adequacy requirements using the Draft Capital Adequacy Standard issued by The Reserve Bank of New Zealand for non-life business insurance under the Insurance (Prudential Supervision) Act 2011.

The Reserve Bank Capital Adequacy Standard has been constructed for the purpose of determining a minimum amount of capital required to support business plans and maintain financial soundness.

A calculation at 30 June 2022 showed Police Health Plan Limited had assets in excess of the level specified by the Reserve Bank of New Zealand Standard. Accordingly, the Directors consider the current level of capital is sufficient for the requirement of maintaining financial soundness.

	2022	2021
	$	$
Actual Solvency Capital	40,562,077	40,737,317
Minimum Solvency Capital	8,515,057	8,968,091
Solvency Margin	32,047,020	31,769,226
Solvency Ratio	4.76	4.54

NOTE 6. CREDIT RATING

On 10 June 2022 A.M. Best Co. confirmed the assignment of a financial strength rating of A- (outlook implication Stable) (2021: A-) and an issuer credit rating of A- (outlook implication Stable) (2021: A-) for Police Health Plan Limited.

NOTE 7. EMPLOYEE BENEFIT EXPENSE

	2022	2021
	$	$
Salaries and Wages	1,372,912	856,083
Contributions to Defined Contribution Plans	38,557	21,869
Other Staff Costs	28,342	26,427
	1,439,811	904,379

POLICIES

Employee Benefit Expense

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised when they accrue to employees, being when services are provided by employees.

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the surplus or deficit as incurred.

Short term employee benefits liability

Liabilities for wages and salaries including non-monetary benefits and annual leave recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid.

The long service leave obligation is made up of actual untaken service leave at reporting date plus 50% of future entitlements for staff who will become entitled to long service leave within the next 12 months.

NOTE 8. AUDITORS REMUNERATION

The following fees (disclosed in professional services) were paid to the Audit Firm, BDO Wellington:

	2022	2021
	$	$
Audit Fees	63,560	46,636

NOTE 9. RECONCILIATION BETWEEN NET SURPLUS AND OPERATING CASHFLOW

	Note	2022 $	2021 $
Net Surplus/(Deficit) for the Year	12b	(176,906)	2,220,874
Non Cash Items			
Unrealised loss / (gain) on investments		2,878,758	(813,920)
Depreciation & Amortisation	12a	9,916	5,967
		2,888,674	(807,953)
Movement in Working Capital Items			
(Increase) Decrease in Debtors		124,958	(284,900)
Increase (Decrease) in Employee Benefit Liability		70,551	(34,169)
Increase (Decrease) in Creditors		60,850	4,805
Increase (Decrease) in Claims Provision		(601,000)	671,115
Increase (Decrease) in Unexpired Premium Liability		(16,623)	(109,755)
Increase (Decrease) in Unexpired Risk		29,000	(2,349,132)
		(332,264)	(2,102,035)
Cash Inflow(Outflow) From Operations		2,379,504	(689,115)

NOTE 10. INVESTMENTS

	Note	2022	2021
Financial Assets at Fair Value Through Surplus or Deficit		$	$
ANZ Investments Portfolio	13	45,275,279	48,154,038
Total Investments		45,275,279	48,154,038
Current assets		45,275,279	48,154,038

NOTE 11. PROPERTY, PLANT & EQUIPMENT

	2022			2021		
	Furniture & Fittings $	Computer Hardware $	Total $	Furniture & Fittings $	Computer Hardware $	Total $
Cost:						
Opening	29,729	21,454	**51,183**	28,724	21,454	**50,178**
Purchases	791	10,126	**10,917**	1,005	-	**1,005**
Disposals	-	(3,360)	**(3,360)**	-	-	**-**
Closing	30,520	28,220	**58,740**	29,729	21,454	**51,183**
Accumulated Depreciation:						
Opening	14,487	17,559	**32,046**	11,554	14,524	**26,078**
Depreciation	3,161	6,762	**9,923**	2,933	3,035	**5,968**
Disposals	-	(3,360)	**(3,360)**	-	-	**-**
Closing	17,648	20,961	**38,609**	14,487	17,559	**32,046**
Net Book Value	**12,872**	**7,259**	**20,131**	**15,242**	**3,895**	**19,137**

POLICIES

The value of purchased property, plant and equipment is measured at the cost to acquire the asset, including other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use, less depreciation and impairment.

Depreciation

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of any residual amounts, over their useful lives. Asset useful lives and residual values ae assessed annually and adjusted if required. Additions subsequent to initial measurement are recognised at cost.

The depreciation rates of the major classes of property, plant and equipment are:

Category	Depreciation Rate 2022	Depreciation Rate 2021
Furniture and Fittings	7% - 48%	12% - 48%
Computer Hardware	2% - 3%	2% - 3%

NOTE 12. CHANGES IN ACCOUNTING POLICIES

This note explains the change in accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. As a result of this decision, the Company has changed its accounting policy from capitalisation of these costs to expensing them when incurred.

Due to the accounting policy change, prior year financial statements had to be restated and there are no intangible assets held by the Company. The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the change have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Note 12a. Statement of Comprehensive Revenue and Expense

	as originally presented	Adjustment	Restated
EXPENDITURE			
IT Expenses	-	(650,625)	(650,625)
Administration	(172,572)	118,815	(53,757)
Depreciation & Amortisation	(118,815)	112,848	(5,967)
TOTAL EXPENDITURE	(291,387)	(418,962)	(710,349)
SURPLUS/(DEFICIT) FOR THE YEAR	2,639,835	(418,962)	2,220,874

IT expenses was previously classified as Administration expenses. Due to the increased investment in this area, this is now separately disclosed.

Note 12b. Statement of Changes in Net Assets/Equity

	30-Jun-21 as originally presented $	Adjustment $	30-Jun-21 Restated $
Opening balance of accumulated revenue and expenses	38,793,438	(277,995)	38,515,443
Total Surplus/(Deficit) for the Year	2,639,835	(418,962)	2,220,874
Closing balance 30 June 2021	41,433,273	(696,957)	40,736,317

NOTE 12. CHANGES IN ACCOUNTING POLICY continued

Note 12c. Statement of Financial Position Extract

	30-Jun-21 as originally presented $	Adjustment $	30-Jun-21 Restated $
NON CURRENT ASSETS			
Intangibles	696,956	(696,956)	-
TOTAL NON CURRENT ASSETS	716,094	(696,956)	19,137
TOTAL ASSETS	51,825,149	(696,956)	51,128,192
NET ASSETS/EQUITY			
Accumulated Revenue and Expense	41,433,273	(696,956)	40,736,316
TOTAL NET ASSETS/EQUITY	41,433,273	(696,956)	40,736,316

Note 12d. Statement of Cashflows

	Note	2021 as originally presented $	Adjustment $	2021 Restated $
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Was Provided From:				
Receipts From Members		43,295,573		43,295,573
Receipts From Investment Income		-		-
		43,295,573		43,295,573
Cash Was Applied To:				
Claims Paid		(41,568,409)		(41,567,403)
Payments To Suppliers, Members & Employees	12a	(1,884,470)	(532,815)	(2,417,285)
		(43,452,879)	(532,815)	(43,984,687)
NET CASH INFLOW FROM OPERATING ACTIVITIES	9	(157,305)	(532,815)	(689,114)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash Was Applied To:				
Purchase of Property, Plant & Equipment		(532,815)	532,815	-
Purchase of Investments		(886,478)		(887,484)
		(1,419,293)	532,815	(887,484)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(1,419,293)	532,815	(887,484)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,576,599)		(1,576,598)
Opening Cash and Cash Equivalents		4,160,836		4,160,836
		2,584,237		2,584,238

Purchase of property, plant and equipment relates to the investment in the BlueBeat CRM system which is now classified as an IT expense in 2021.

Note 12e. Reconciliation between Net Surplus and Operating Cashflow

	2021 as originally presented	Adjustment	2021 Restated
	$	$	$
Net Surplus/(Deficit) for the Year	2,639,835	(418,962)	2,220,874
Non Cash Items			
Unrealised loss / (gain) on investments	(813,920)		(813,920)
Depreciation & Amortisation	118,815	(112,848)	5,967
	(695,105)	(112,848)	(807,953)
Movement in Working Capital Items			
(Increase) Decrease in Debtors	(284,900)		(284,900)
Increase (Decrease) in Employee Benefit Liability	(34,169)		(34,169)
Increase (Decrease) in Creditors	4,805		4,805
Increase (Decrease) in Claims Provision	671,115		671,115
Increase (Decrease) in Unexpired Premium Liability	(109,755)		(109,755)
Increase (Decrease) in Unexpired Risk	(2,349,132)		(2,349,132)
	(2,102,035)		(2,102,035)
Cash Inflow(Outflow) From Operations	(157,305)	(531,810)	(689,115)

NOTE 13. FINANCIAL INSTRUMENTS

Note 13a. The categories of financial assets and liabilities

The carrying amount of each of the following categories of financial assets and financial liabilities are as follows:

	2022 $		2021 $	
Loans and receivables	*Carrying Value*	*Fair Value*	*Carrying Value*	*Fair Value*
Cash and cash equivalents	4,952,832	4,952,832	2,584,238	2,584,238
Trade and other receivables	245,821	245,821	370,779	370,779
	5,198,654	5,198,654	2,955,017	2,955,017
Fair value through surplus or deficit				
ANZ Investment Portfolio	45,275,279	45,275,279	48,154,038	48,154,038
	45,275,279	45,275,279	48,154,038	48,154,038
Total Financial Assets	50,473,933	50,473,933	51,109,055	51,109,055
Financial liabilities at amortised cost				
Trade and other payables	136,563	136,563	75,713	75,713
Total Financial Liabilities	136,563	136,563	75,713	75,713

The fair value of financial instruments is not materially different to the carrying values set out above. The ANZ Investment Portfolio, managed on behalf of the Company by ANZ Investments, is invested in a number of single-asset class funds. Exposure to credit, interest rate risk, equity price and liquidity risk arises in the ordinary course of the Company's operations.

POLICIES

Designation of financial instruments

Designation of financial assets and liabilities into categories is determined by the way the assets are managed and their contractual cashflows as at initial recognition.

Financial assets

Recognition and measurements

The Company's financial assets include loans and receivables and financial assets at fair value through profit or loss.

Loans and receivables

The Company's receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value, plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method less any impairment losses.

The Company's loans and receivables comprise cash and cash equivalents and trade and other receivables from exchange transactions

NOTE 13. FINANCIAL INSTRUMENTS continued

POLICIES

Financial assets at fair value through surplus or deficit

A financial instrument is classified as fair value through surplus or deficit if it is:

- Held-for-trading: This includes derivatives where hedge accounting is not applied.
- Designated at initial recognition: If the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy.

Those fair value through surplus or deficit instruments sub-classified as held-for-trading comprise the ANZ Investment Portfolio.

There are no assets designated at initial recognition.

Financial instruments classified as fair value through surplus or deficit are subsequently measured at fair value with gains or losses being recognised in surplus or deficit.

Financial liabilities

The Company classifies its financial liabilities as either fair value through profit or loss or at amortised cost. Trade payables and other short-term monetary liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method

NOTE 13. FINANCIAL INSTRUMENTS continued

Note 13b. Fair value of financial assets and liabilities

Fair value hierarchy

2022	Level 1	Level 2	Level 3	Total
ANZ Investment Portfolio	45,275,279	-	-	45,275,279
	45,275,279	**-**	**-**	**45,275,279**

2021	Level 1	Level 2	Level 3	Total
ANZ Investment Portfolio	48,154,037	-	-	48,154,037
	48,154,037	**-**	**-**	**48,154,037**

POLICIES

Fair value estimation

The Company measures financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1

Fair value hierarchy

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the quality and reliability of information used to determine fair values. The three levels of the fair value hierarchy are defined as follows:
Level 1: Valuation based on quoted market prices (unadjusted) in an active market.
Level 2: Valuation techniques based on observable data, either directly (as prices) or indirectly (derived from prices).
Level 3: Valuation techniques not based on observable market data.

NOTE 14. RISK MANAGEMENT

The Company is exposed to a number of risks in the normal course of business. Primarily there are the risks associated with underwriting an insurance business (insurance risk). Other risks include financial risks (credit risk and liquidity risk), market risks (price risk and foreign currency risk), and non-financial risks (operational risk and compliance risk). The Directors and management recognise the importance of having an effective risk management policy in place. The risks and any objectives, policies, and procedures to manage these insurance and financial risks are described as follows:

Note 14a. Insurance Risk

The Company assumes insurance risks through its health insurance activities. The key risk arises in respect of claims costs and those costs varying from what was assumed in the setting of premium rates.

(i) Risk Management Objectives, Policies and Processes for Mitigating Risk

The primary objective in managing risk is, as far as possible, to reduce the magnitude and volatility of claims costs. A secondary objective is to ensure funds are available to pay claims and maintain the solvency of the Company if there is adverse deviation in experience. Key policies and methods for mitigating risk include:

- Underwriting policies and processes which evaluate new risks and offer terms that do not endanger the portfolio.
- Claims management procedures to ensure the payment of claims is in accordance with policy conditions.
- Pricing strategy adopted by the Board which supports pricing based on underlying risk.
- Regular monitoring of financial and operating results.
- Maintaining a target solvency margin in excess of the minimum required by the draft Reserve Bank of New Zealand Solvency Standard for Non-life Insurance Business. The solvency margin ensures Police Health Plan Limited is able to withstand a period of adverse insurance or investment experience and still maintain a satisfactory financial position.

(ii) Sensitivity to Insurance Risk

The financial results of Police Health Plan Limited are primarily affected by the level of claims incurred relative to that implicit in the premiums. The assumptions used in the valuation of the outstanding claims provision directly affect the level of estimated claims incurred. The key assumptions used are detailed in note 4.

The scope of insurance risk is managed by the terms and conditions of the policy. The main insurance benefit involves the reimbursement of medical and surgical expenses depending upon the plan option.

The level of benefits specified in the contract is a key determinant of the amount of future claims although the exact level of claims is uncertain. Other variables affecting the level of claims include the underlying morbidity of the lives insured, the nature of the treatment given and the costs of treatment.

(iii) Concentration of Insurance Risk

Management defines concentration of risk by type of insurance business and geographic region. Police Health Plan Limited transacts health insurance business in New Zealand and, therefore, the concentration of risk by type of insurance and geographic region cannot be avoided. Insurance risks are well diversified within the health insurance portfolio with claims costs spread across many different types of surgery and medical events. There is no significant exposure to individual large claims.

NOTE 14. RISK MANAGEMENT continued

Note 14b. Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitment in full and on time. The Company's exposure to credit risk is limited to deposits and investments held with banks and other financial institutions as well as credit exposure to trade customers or other counterparties. The Company maintains a credit policy which is used to manage the exposure to credit risk. Limits on counter-party exposures have been set and are monitored on an ongoing basis. In addition, Reserve Bank of New Zealand has issued concentration risk limits, as part of its solvency standards. The Company has no significant exposure to credit risk. The credit exposure in respect of the Company's cash balance is between A and AA-.

I. Credit Concentration Risk

Concentration of credit risk exists when the Company enters into contracts or financial instruments with counterparties that are engaged in similar business activities or exposed to similar economic factors that might affect their ability to meet contractual obligations. The significant concentrations of credit risk are outlined by industry type below.

	2022	2021
Banks	4,952,832	2,584,238
Financial Institutions	45,275,279	48,154,038
Other non-investment related receivable	245,821	370,779
Total Financial Assets with Credit Exposure	50,473,933	51,109,055

II. Maximum Exposure to Credit Risk

The maximum exposure to credit risk at the end of the reporting period is the amount of financial assets stated in the Statement of Financial Position. These exposures are net of any recognised allowance for impairment losses. The Company does not require any collateral or security to support financial assets due to the quality of the counter-party organisations.

III. Credit Quality of Financial Assets

The credit quality of investment counter parties is as follows:

	2022	2021
AAA	14,733,343	14,875,534
AA	18,605,457	6,759,362
A	9,196,529	20,303,740
BBB	3,495,672	3,592,700
Non-rated	4,442,932	5,577,719
	50,473,933	51,109,055

NOTE 14. RISK MANAGEMENT continued

Note 14c. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its cash outflows associated with financial liabilities, as they fall due, because of lack of liquid assets or access to funding on acceptable terms. The Directors set limits on the minimum proposition of maturing funds available to meet such calls to cover claims and expenses at unexpected levels of demand.

Undiscounted contractual maturities of Financial Assets

2022	Carrying value	On Demand	Less than one year	One to four years	Over five years	Total
Financial Assets						
Cash and cash equivalents	4,952,832	4,952,832	-	-	-	4,952,832
ANZ Investment Portfolio	45,275,279	45,275,279	-	-	-	45,275,279
Loans and Receivables	245,821	-	245,821	-	-	245,821
	50,473,933	50,228,111	245,821	-	-	50,473,933
Financial Liabilities						
Trade and Other Payables	136,563	-	136,563	-	-	136,563
Provision for Claims	8,955,000	-	8,955,000	-	-	8,955,000
Unearned Premium Liability	641,903	-	641,903	-	-	641,903
Provision for Unexpired Risk	105,000	-	105,000	-	-	105,000
	9,838,466	-	9,838,466	-	-	9,838,466
Net exposure	40,635,467	50,228,111	(9,592,645)	-	-	40,635,467
2021						
Financial Assets						
Cash and cash equivalents	2,584,238	2,584,238	-	-	-	2,584,238
ANZ Investment Portfolio	48,154,038	48,154,038	-	-	-	48,154,038
Loans and Receivables	370,779	-	370,779	-	-	370,779
	51,109,055	50,738,276	370,779	-	-	51,109,055
Financial Liabilities						
Trade and Other Payables	75,713	-	75,713	-	-	75,713
Provision for Claims	9,556,000	-	9,556,000	-	-	9,556,000
Unearned Premium Liability	658,526	-	658,526	-	-	658,526
Provision for Unexpired Risk	76,000	-	76,000	-	-	76,000
	10,366,239	-	10,366,239	-	-	10,366,239
Net exposure	40,742,816	50,738,276	(9,995,460)	-	-	40,742,816

The liquidity analysis prepared above is prepared based on the expected timings of cash flows per contractual requirements.

NOTE 14. RISK MANAGEMENT continued

Note 14d. Market risks

I. Other Price Risk

The Company has an investment portfolio managed by ANZ Investments which is invested in a number of single-asset-class funds such as the NZ Share Fund, International Share Fund, NZ Fixed Interest Bond Fund and the NZ Cash Fund. The following analysis shows the effect of a 20% change in the unit price of the share funds, a 5% change in unit price of the fixed interest funds and a 2% change in the unit price of the cash fund as at 30 June 2022:

	2022	2021
Impact of increase in unit price on surplus or deficit	2,342,185	2,616,146
Impact of decrease in unit price on surplus or deficit	(2,342,185)	(2,616,146)

The % changes used in the sensitivity analysis are movements which could be reasonably expected to occur in the current market based on the results of the previous year.

NOTE 14. RISK MANAGEMENT continued

II. Foreign currency risks

Through the portfolio with ANZ Investments, an amount of $2,172,798 as at 30 June 2022 (2021: $2,825,727) is invested in International Equities. In order to reduce the foreign exchange risk, ANZ Investments has entered into a number of foreign exchange forward contracts on the Company's behalf as part of the investment portfolio, the fair value of these at 30 June 2022 being -$11,004 (2021: -$55,322).

NOTE 15. RELATED PARTIES

Members under the Police Services Group "umbrella" include New Zealand Police Association Inc and Subsidiaries (PA Frontline Limited and Blueline Premises Limited), Police Welfare Fund Limited and subsidiaries (including Police Welfare Fund General Insurances, Police Welfare Fund Nominees, New Zealand Police Centennial Trust). Police Health Plan is a wholly owned subsidiary of Police Welfare Fund Limited.

Police Health Plan Limited paid $60,000 (2021: $45,600) to Blueline Premises Limited during the year for the rental of part of 57 Willis Street.

During the year, the New Zealand Police Association on-charged $168,000 (2021: $170,400) associated with Police Health Plan's representation in the Police News Magazine, the member website and social media. NZ Police Association also on-charged $175,080 for IT infrastructure and software support (2021: $147,720). No amounts owed by related parties have been written off or forgiven during the period. The Company has a related party relationship with its directors and executive officers.

Note 15a. Transactions with Key Management Personnel

Remuneration

The Company classifies its key management personnel into one of two classes:

- Members of the governing body
- Senior executive officers, responsible for reporting to the governing body

Members of the governing body are paid an annual fee of $97,400 total (2021: $34,816). Senior executive officers are employed as employees of the Company on normal employment terms.

The aggregate level of remuneration paid and number of persons (measured in ‘people’ for Members of the governing body, and ‘full-time-equivalents’ (FTE’s) for Senior executive officers) in each class of key management personnel is presented below:

Members of the governing body

Members	2022 Remuneration $	2021 Remuneration $
Susie Staley (Chair)	$40,000	$14,816
Nathan Thomas	$20,000	-
Ralph Stewart	$17,400	$20,000
Rob Flannagan	$20,000	-
Chris Cahill	-	-
Michael McRandle	-	-
Total	$97,400	$34,816

Senior executive officers

	Remuneration $	Other benefits $	Number of FTE
2022	172,694	6,273	0.9
2021	176,578	29,283	0.9

The Company provides salaries and employee benefits in the form of long service leave and retirement leave as well as contributing to a defined contribution superannuation fund.

NOTE 16. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities as at reporting date (2021: nil). There were no capital commitments as at reporting date (2021: nil).

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF POLICE HEALTH PLAN LIMITED

Opinion

We have audited the financial statements of Police Health Plan Limited ("the company"), which comprise the statement of financial position as at 30 June 2022, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards ("PBE Standards") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the company.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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.

Valuation of Provision for Claims	How The Matter Was Addressed in Our Audit
We considered the valuation of the provision for outstanding claims a key audit matter because of the significant judgement required by management and the directors in determining the balance as at 30 June 2022. The valuation of the provisions relies on the quality of the underlying data. It involves subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the estimate. In particular, judgement arises over the estimation of payments for claims that have been incurred at the reporting date but have not yet been reported to the entity, as there is generally less information available in relation to these claims, and uncertainty over the amount which will be settled. The provision for outstanding claims includes a risk margin that allows for the inherent uncertainty in the central estimate of the future claim payments. In determining the risk margin, the entity make a judgement about the volatility of the claims pattern. Relevant references in the financial statements: Refer to notes 3 and 4 to the financial statements, which also describe the elements that make up the balance.	Our audit procedures included obtaining an understanding of key controls, including key data reconciliations and management review of the estimates. Historical claims data is a key input to the actuarial estimates. Accordingly, we: o Have gained an understanding of the design and implementation of the control environment in regard to claims processing; o Re-performed claims data reconciliations; o Inspected a sample of claims paid during the year to confirm that they were supported by appropriate documentation. To assess our ability to rely on the work of the actuarial expert engaged by management, we: - Obtained the amount for the actual claims paid in the months of July and August 2022 for claims incurred pre year end and compared the total paid to the central estimate. - Considered the accuracy of claims liability in the past against actual post balance date claims; and - We checked that the data used by the Insurer's actuary was consistent with the data in the financial statements. - Assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards. - We engaged an independent actuary to perform the following: o Evaluate the actuarial models and methodologies used by the Appointed Actuary in determining the provision for outstanding claims. o Assess key actuarial judgements and assumptions and challenged them by comparing expectations based on the expert’s experience, sector knowledge and independently observable industry trends. o Recalculate the provisions based on the claims data in the financial statements.

Claims previously declined	How The Matter Was Addressed in Our Audit
We considered the valuation of the provision for 'Claims previously declined' (included within the Provision for Claims in Note 3) a key audit matter because of the significant judgement required by management and the directors in determining the balance as at 30 June 2022. The Provision for Claims includes an allowance of $1,100,000 in relation to claims which were previously declined incorrectly and are required to be paid under the Insurance Law Reform Act 1977. Management's estimate for this provision is based on the data of previously declined claims, plus some additional allowances for direct expenses plus claims which may be lodged in future less any claims remediated during the year. These are subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the estimate. Relevant references in the financial statements: Refer to notes 3 and 4 to the financial statements, which also describes the elements that make up the balance.	Our audit procedures included obtaining an understanding of key controls, including key data reconciliations and management review of the estimates. Historical claims data is a key input to the actuarial estimates. Accordingly, we: o Gained an understanding of the design and implementation of the control environment in regard to claims processing; o Re-performed claims data reconciliations; To assess our ability to rely on the work of the actuarial expert engaged by management, we: - Obtained the list of incorrectly declined claims from the past 10 years and performed sample testing to assess the reason for declining the claim. - Obtained and reviewed the legal advice received regarding the incorrectly declined claims matter and the Insurance Law Reform Act 1977. - Obtained and reviewed correspondence with FMA to ensure no penalties have been imposed and remediation plans have been agreed by them. - Performed sample testing to ensure the claims are being remediated. - We checked that the data used by the Insurer's actuary was consistent with the data in the financial statements. - Assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards. - We engaged an independent actuary to perform the following: o Evaluate the actuarial models and methodologies used by the Appointed Actuary in determining the provision for the incorrectly declined claims. o Assess key actuarial judgements and assumptions and challenged them by comparing expectations based on the expert's experience and sector knowledge.

Directors' Responsibilities 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 PBE Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the company 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) 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 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 directors, as a body. 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 directors, as a body, 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 Mark Bewley.

BDO Wellington Audit Limited

BDO WELLINGTON AUDIT LIMITED
Wellington
New Zealand
29 September 2022

Greystone Consulting Ltd
17/25 Tennyson St
Te Aro
Wellington
Telephone +64 4 3853277
Mobile +64 274330795
Email charliecahn@xtra.co.nz

27 October 2022

Jessica Singh
Chief Financial Officer
New Zealand Police Association
PO Box 12 344
WELLINGTON

Dear Jessica

Report under Section 78 of the Insurance (Prudential Supervision) Act

As requested, I attach my report to comply with section 78 of the Act.

Reliance and Limitations

This letter and attached report is for the use of the Police Health Plan (the Plan) for the purposes set out above. No use may be made of this letter and attached report by the Plan for any other purpose. No use may be made of this letter by any third party for any purpose.

I will not accept any liability or responsibility to any third party recipients of my letter or attached report under any circumstances.

No onwards distribution of this letter by the Plan to third parties other than as required by law is permitted. I understand that the attached report may be available as a public document.

Yours sincerely

Charles Cahn
Appointed Actuary

Greystone Consulting

Police Health Plan Limited

Review of Actuarial Information In, or Used In Preparation of, the Financial Statements at 30 June 2022

This report is to provide certain information and certification as required under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010 (the Act). This information is actuarial information in, or used in the preparation of, the financial statements as at 30 June 2022 of the Police Health Plan Limited (the Plan).

I have provided a “Valuation Report” dated 17 August 2022, which contains detailed advice on actuarial information for the financial statements,

The Solvency Standard for Non-life Insurance Business issued under the Act (the Standard) specifies which is actuarial information.

I have reviewed the following actuarial information:

- The Provision for Unexpired Risk (which, together with Unexpired Premiums Received, is referred to in the Standard as Premium Liabilities).
- The Provision for Claims (referred to in the Standard as the Net Outstanding Claims Liability).
- Note 7 to the financial statements containing a description of the method and assumptions used in the calculation of the Provision for Claims and Provision for Unexpired Risk.

The Plan has no reinsurance and no deferred acquisition costs or fee revenue assets.

I can advise as follows:

- There were no limitations or restrictions placed on me in carrying out this work, and I have obtained all the information and explanation that I required.
- My relationship with or interest in the Plan is limited to that of Appointed Actuary.
- It is the Plan’s established policy to seek my advice on actuarial information and to adopt my advice in the financial statements.
- The actuarial information provided by me has been prepared in accordance with the New Zealand Equivalent of International Financial Reporting Standard 4, and Professional Standard 30 of the New Zealand Society of Actuaries
- The actuarial information contained in, and used in the preparation of, the financial statements has been appropriately included and used.
- In my opinion, and from an actuarial perspective, the Plan is maintaining, at the balance date, the solvency margin as required under the Act.

Charles Cahn
FIAA FNZSA
Appointed Actuary

27 October 2022