Allianz Australia Insurance Limited - New Zealand Branch
Company number 3994759

Annual Report for the year ended
31 December 2022

Allianz

Company Directory

As at 31 December 2022

Company number	3994759
IRD	109-941-972
Nature of business	Provision of general insurance services
Registered Office	C/- Bell Gully Level 21, Vero Center 48 Shortland Street, Auckland 1140 New Zealand

Directors' Information

The Directors present their report together with the financial statements of Allianz Australia Insurance Limited – New Zealand Branch ("the NZ Branch") for the year ended 31 December 2022 and the auditor's report thereon. The NZ Branch is the New Zealand branch of the Australian company, Allianz Australia Insurance Limited ("the Company").

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Paula Jane Dwyer
Paula Dwyer was appointed to the Board of the Company as an independent non-executive director on 18 February 2019 and was appointed Chairman of the Board on 1 January 2020. Ms Dwyer has been a member of the Audit Committee, Risk Committee, Investment Committee, Nomination Committee and Human Resources & Remuneration Committees since 18 February 2019 and was appointed Chairman of the Investment Committee and the Nomination Committee on 4 February 2020. Ms Dwyer became a member of the Technology Committee on 19 August 2020 and served as Chairman of that Committee from 28 June 2022 to 31 October 2022.

Career Summary
Ms Dwyer has over 20 years' experience as an independent Chairman and non-executive director and is presently a non-executive director of Lion Pty Ltd and Lion Global Craft Beverages Pty Ltd, Chairman of Elenium Automation Pty Ltd and non-executive director of Dexus Funds Management Limited. She is also a member of the Australian Government Takeovers Panel and the Melbourne Cricket Club Committee.

Ms Dwyer was formerly the Chairman and a non-executive director of a number of listed public companies including Tabcorp Holdings Ltd, Healthscope Ltd, Leighton Holdings Ltd, Suncorp Group Ltd and the Australia and New Zealand Banking Group Ltd. She was formerly a member of the Business and Economics Board of the University of Melbourne, the ASIC External Advisory Panel and Deputy Chairman of the Baker IDI Heart and Diabetes Research Institute.

Ms Dwyer is a chartered accountant with an executive career in corporate advisory, mergers and acquisitions and investment banking.

Richard Denis Feledy
Richard Feledy was appointed Managing Director of the Company on 1 January 2018. Mr Feledy is a member of the Investment Committee and is an Invitee of the Audit Committee, Risk Committee, Human Resources & Remuneration Committee, Technology Committee and Nomination Committee.

Career Summary
Mr Feledy is a non-executive director of the Insurance Council of Australia, an executive director of Allianz Australia Services Pty Limited and a member of the Champions of Change Insurance Group. Mr Feledy was executive director of Allianz Australia General Insurance Services Pty Limited from 1 July 2021 until its deregistration on 26 November 2022.

Mr Feledy joined Allianz in 2001 as part of the HIH acquisition and has over 35 years' experience in the general insurance industry, with extensive experience in sales and distribution, relationship management, portfolio management, pricing, product framework development and financial management.

Mr Feledy was Chief Technical Officer of Allianz Australia from 2010 to 2017 and Deputy Managing Director from 8 May 2017 to 31 December 2017.

Directors' Report (continued)

Directors (continued)

Patrick Newton James Allaway
Patrick Allaway was appointed to the Board of the Company as an independent non-executive director on 1 July 2020. Mr Allaway is a member and the Chairman of the Audit Committee, a member of the Risk Committee, Investment Committee and Technology Committee. On and from 5 December 2022, with the consent of the Board, Mr Allaway commenced a leave of absence from the Board for a period of up to nine months.

Career Summary
Mr Allaway is Chairman and a non-executive director of the Bank of Queensland Ltd. In November 2022, Mr Allaway was appointed acting CEO of the Bank of Queensland Ltd. He is a non-executive director of Dexus Funds Management Ltd and a member of the Adobe International Advisory Board. He is also a director and the Chairman of Saltbush Capital Markets Pty Ltd and Giant Steps Endowment Fund.

Mr Allaway was formerly a non-executive director of Nine Entertainment Co. Ltd, Macquarie Goodman Industrial Trust, Metcash Ltd, Fairfax Media, Woolworths South Africa, David Jones Limited, Country Road Group and Domain Limited. Mr Allaway was the former Managing Director of SBC Capital Markets and Treasury.

Mr Allaway has had over 30 years' experience in the global financial industry, across capital markets and corporate advisory and 16 years' non-executive director experience across property, retail, media and finance.

Michael Hawker AM
Michael Hawker was appointed to the Board of the Company as an independent non-executive director and as a member of the Audit Committee, Risk Committee, Investment Committee and Technology Committee on 1 July 2022. Mr Hawker assumed the role of Chairman of the Technology Committee on 1 November 2022.

Career Summary
Mr Hawker has substantial experience in the financial services industry, including as the CEO and Managing Director of Insurance Australia Group from 2001 to 2008 and the President of the Insurance Council of Australia from 2004 to 2005. Prior to this he held senior positions at Westpac and with Citibank in Australia and Europe.

Mr Hawker is a non-executive director of Westpac Banking Corporation, Washington H Soul Pattinson, BUPA (Global Board), BUPA Australia/NZ, Vicinity Limited and the Museum of Contemporary Art. He is also a former non-executive director of Macquarie Group and Bank, and the Rugby World Cup Board.

Mr Hawker was formerly the Chairman of the Australian Financial Markets Association, a Board member of the Geneva Association and a member of the Financial Sector Advisory Council.

Vickki Anne McFadden
Vickki McFadden was appointed to the Board of the Company as an independent non-executive director on 1 July 2020. Ms McFadden is a member and the Chairman of the Risk Committee and a member of the Audit Committee and the Human Resources & Remuneration Committee.

Career Summary
Ms McFadden is the Chairman and a non-executive director of The GPT Group Ltd and a non-executive director of Newcrest Mining Ltd.

Ms McFadden was formerly the Chairman of Eftpos Australia Payments Ltd and Skilled Group Ltd and a non-executive director of Tabcorp Holdings Ltd, Myer Family Investments Pty Ltd and Leighton Holdings Ltd. Ms McFadden was also the former President of the Takeovers Panel and a member of the Advisory Board & Executive Committee of the UNSW School of Business and the Managing Director of Investment Banking at Merrill Lynch Australia.

Ms McFadden has extensive experience gained in investment banking, corporate finance and corporate law and previous board positions.

Directors’ Report (continued)

Directors (continued)

Jane Frances McAloon
Jane McAloon was appointed to the Board of the Company as an independent non-executive director on 1 July 2020. Ms McAloon is a member and Chairman of the Human Resources & Remuneration Committee and a member of the Risk Committee, Audit Committee and Nomination Committee.

Career Summary
Ms McAloon has over 30 years of business, government and regulatory experience at senior executive and board levels across the natural resources, energy and infrastructure sectors. In particular, she has experience in navigating complex environmental, social and governance issues across multiple jurisdictions. Ms McAloon was an executive at BHP Billiton and AGL. Prior to this she held positions in government in energy, rail and natural resources.

Ms McAloon is currently the Chairman of Energy Australia (since April 2022 and a non-executive director since December 2012) and a non-executive director of BlueScope Steel Limited (since September 2022) and Newcrest Mining (since July 2021). Jane is also a board member of the Allens Advisory Board (since September 2019).

She is a former director of Viva Energy (June 2018 to August 2021), Healthscope Limited (February 2016 to June 2019), Cogstate Limited (January 2017 to November 2019), Civil Aviation Safety Authority (December 2017 to December 2019), Port of Melbourne (February 2018 to February 2020) and GrainCorp (December 2019 to March 2020), United Malt Group Ltd (February 2020 to February 2023) and Home Consortium (October 2019 to November 2022). Ms McAloon was also previously the Chair of Defence Reserves Support Council and a member of the Referendum Council on Constitutional Recognition for Aboriginal and Torres Strait Islander Peoples.

Thomas Karl Heinz Naumann
Thomas Naumann was appointed to the Board of the Company as a non-executive director on 2 August 2019. Mr Naumann is a member of the Audit Committee, Risk Committee, Investment Committee, Nomination Committee, Human Resources & Remuneration Committee and Technology Committee. Following receipt by the Company of an instrument issued by APRA permitting Mr Naumann (a non-independent non-executive director) to act as Chairman of the Audit Committee in Mr Allaway’s absence, Mr Naumann was appointed acting Audit Committee Chairman by the Board on 9 January 2023.

Career Summary
Mr Naumann is an Executive Vice President of Allianz SE and a non-executive director of Allianz S.p.A, Allianz Sigorta A.S., Allianz Hayat ve Emeklilik A.S., Allianz Hellas SA, Allianz Australia Life Insurance Ltd, Allianz Australia Life Insurance Holdings Ltd.

Mr Naumann is a member of the Supervisory Board of Allianz Versicherungs-AG, and a non-executive member of the Supervisory Boards of Allianz Direct Versicherungs-AG, Munich and Allianz Global Corporate and Specialty SE, Munich (from 27 April 2022) . Mr Naumann is also the Chairman of the Allianz Global Corporate and Specialty SE’s Audit and Risk Sub-Committee.

Mr Naumann was a member of the Supervisory Board of Allianz Deutschland AG, Munich (March 2020 to May 2022) and the Chairman of its Audit and Risk Sub-Committee (January 2021 to May 2022).

Mr Naumann has held various senior positions in Allianz SE since 2007 and was an executive director for Allianz Asset Management AG, KG Allgemeine Leasing GmbH & Co. Gruenwald and Dresdner Bank AG.

Christopher George Townsend
Christopher Townsend was appointed to the Board of the Company as a non-executive director and as a member of the Audit Committee and the Risk Committee on 1 January 2022.

Career Summary
Mr Townsend is a member of the Board of Management of Allianz SE, overseeing the Global Insurance Lines & Anglo Markets, Reinsurance, Iberia & Latin America, Middle East and Africa and is the Chairman of the Supervisory Board of Allianz Global Corporate & Specialty SE. Mr Townsend is also a non-executive director of a number of other Allianz Global Group companies.

Mr Townsend has had an extensive career in the insurance industry, including as CEO of AIG’s International General Insurance operations and the President and CEO of Asia at Metlife.

Directors' Report (continued)

Directors (continued)

Ulf Lange

Ulf Lange was the alternate director for Christopher Townsend, limited to attending the Company's Audit Committee and Risk Committee meetings on Mr Townsend's behalf from 17 February 2022 until 18 January 2023. Mr Lange retired from this position in January 2023.

Career Summary
Mr Lange is the Head of the Business Division, Anglo Markets and Global Lines at Allianz SE. He is a member of the Euler Hermes Group Supervisory Board (part of the Allianz Group), a non-executive director of Allianz Ireland PLC and the Chairman of its Nomination Committee and its Remuneration Committee.
Mr Lange has held a number of senior executive roles in his seventeen years with Allianz SE including Head of Legal, Compliance and HR (CEEMA), CFO of Allianz Ayudhya Assurance (Thailand) and CFO of Allianz Partners SAS (Paris/Munich). During this time Ulf has also been a member of the Board of Directors on a number of Allianz Partners companies in Europe, the USA, Canada, the United Kingdom and South-East Asia including Australia.

Richard Mark Hutchinson
Mark Hutchinson was appointed to the Board of the Company as an independent non-executive director on 1 July 2020 and resigned effective 12 May 2022. Mr Hutchinson was a member of the Audit Committee, Risk Committee and Investment Committee as well as a member and the Chairman of the Technology Committee.

Career Summary
Mr Hutchinson was formerly a non-executive director of BlueScope Steel Ltd, Mission Australia, Alpha Australia and World Wide Generation Limited, the President and Chief Executive Officer of General Electric Europe, the President and Chief Executive Officer of General Electric China and the President of GE Capital Real Estate International. He previously held financial services roles at Barclays Capital Asia Ltd in Australia and Hong Kong.

Senior Executive Information

Marc Robert Guppy
Appointed Chief Executive Officer on 6 March 2017.

Previously held roles within Allianz Australia, including as Manager, Corporate Northern and Corporate Manager - Western Australia.

Directors' Report (continued)

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Name	Board		Audit Committee		Risk Committee		HR & Rem Committee[1]		Investment Committee		Technology Committee		Nominations Committee	
	A	B	A	B[5]	A	B[5]	A	B[5]	A	B	A	B	A	B
P.N.J. Allaway	9	11	3	5	4	5	-	-	2	3	4	4	-	-
P.J. Dwyer	11	11	5	5	5	5	6	6	3	3	4	4	-	-
R.D. Feledy	11	11	5*	5	5*	5	6*	6	3	3	4*	4	-	-
M. Hawker[2]	6	6	3	3	3	3	-	-	1	1	1	2	-	-
R.M. Hutchinson[3]	3	3	1	1	1	1	-	-	1	1	2	2	-	-
J.F. McAloon	11	11	5	5	5	5	6	6	-	-	-	-	-	-
V.A. McFadden	11	11	5	5	5	5	6	6	-	-	-	-	-	-
T.K.H. Naumann	9	11	4	5	4	5	6	6	2	3	4	4	-	-
C.G Townsend	8	11	-	-	-	-	-	-	-	-	-	-	-	-
U. Lange[4]	-	-	5	5	4	5	-	-	-	-	-	-	-	-

[1] Human Resources & Remuneration Committee.
[2] M. Hawker commenced effective 1 July 2022.
[3] R.M. Hutchinson resigned effective 12 May 2022.
[4] U. Lange attended as Alternate Director for C.G Townsend at all Audit and Risk Committees.
[5] One meeting held was a joint meeting of the Human Resources & Remuneration Committee, Audit Committee and Risk Committee.

A Number of meetings attended.
B Number of meetings held during the time the Director held office during the financial year.
* R.D. Feledy at the invitation of the Committee.

Shareholder information

Allianz Australia Limited owns 100% of the ordinary shares of Allianz Australia Insurance Limited.

Other information

Bankers Westpac Banking Corporation

Auditors PwC Australia,
One International Towers
Barangaroo
Sydney, NSW, 2000
Australia

Directors' Declaration

In the opinion of the Directors of Allianz Australia Insurance Limited - New Zealand Branch ("the NZ Branch"):

(a) The financial statements and notes, set out on pages 7 to 38, are in accordance with the Financial Reporting Act 2013, including:

   (i) fairly presenting the NZ Branch's financial position as at 31 December 2022 and of its performance for the financial year ended on that date; and

   (ii) complying with New Zealand generally accepted accounting practice.

(b) There are reasonable grounds to believe that the NZ Branch will be able to pay its debts as and when they become due and payable.

(c) The Directors draw attention to Note 1 to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Paula J. Dwyer
Director

Sydney
27 March 2023

Richard D. Feledy
Director

Sydney
27 March 2023

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2022

	Note	2022 $000	2021 $000
Premium revenue	8	30,725	36,366
Outward reinsurance expense	8	(27,746)	(28,085)
Net premium revenue		**2,979**	**8,281**
Claims (expense)/income	10	(34,702)	7,054
Reinsurance and other recoveries revenue/(expense)	10	25,928	(5,393)
Net claims expense		**(8,774)**	**1,661**
Acquisition costs		1,746	(656)
Total underwriting expenses/(income)		**1,746**	**(656)**
Underwriting (loss)/profit		**(4,049)**	**9,286**
Investment income	9	1,610	134
Foreign exchange (losses)/gains		(1,174)	1,037
Other (expenses)/income		(487)	719
Other income and expenses		**(51)**	**1,890**
(Loss)/profit before income tax		**(4,100)**	**11,176**
Income tax benefit/(expense)	11(a)	1,148	(3,159)
(Loss)/profit after income tax		**(2,952)**	**8,017**

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 12 to 38.

Statement of Changes in Head Office Account

For the year ended 31 December 2022

	Head office transfers $000	Retained earnings $000	**Total head office account** **$000**
At 1 January 2022	23,648	20,633	44,281
Loss for the year	-	(2,952)	(2,952)
Head office transfer	(13,476)	-	(13,476)
At 31 December 2022	**10,172**	**17,681**	**27,853**

	Head office transfers $000	Retained earnings $000	**Total head office account** **$000**
At 1 January 2021	23,648	12,616	36,264
Profit for the year	-	8,017	8,017
At 31 December 2021	**23,648**	**20,633**	**44,281**

The statement of changes in head office account is to be read in conjunction with the notes to the financial statements set out on pages 12 to 38.

Statement of Financial Position
As at 31 December 2022

	Note	2022 $000	2021 $000
Assets			
Cash and cash equivalents	20	65,925	43,206
Trade and other receivables	12	53,807	58,544
Reinsurance and other recoveries receivable	15(d)	69,550	56,260
Deferred reinsurance premiums		14,018	14,531
Financial assets at fair value through profit or loss	13	-	44,965
Current tax asset		228	239
Deferred tax asset	11(c)	1,375	547
Total assets		**204,903**	**218,292**
Liabilities			
Accounts payable and accruals		84,334	86,473
Unearned premium liability	16	12,545	13,703
Outstanding claims	15(a)	78,037	71,912
Net deferred reinsurance commission	14	2,134	1,923
Total liabilities		**177,050**	**174,011**
Net assets		**27,853**	**44,281**
Head office account		**27,853**	**44,281**

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 12 to 38.

Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 $000	2021 $000
Cash flows from operating activities			
Premiums received		31,232	34,928
Outwards reinsurance paid		(26,989)	(32,075)
Claims paid		(28,576)	(32,770)
Reinsurance and other recoveries received		2,685	11,169
Net reinsurance commission received		1,957	1,336
Intercompany amounts (paid)		(885)	(84,506)
Income taxes (paid)		330	(2,163)
Interest received		1,610	99
Other income (paid)		(1,174)	(1,934)
Foreign exchange (losses)/gains		(2,437)	1,037
Net cash outflow from operating activities	**20(b)**	**(22,247)**	**(104,879)**
Cash flows from investing activities			
Net payments from trading of investments		44,966	43,846
Net cash inflow from investing activities		**44,966**	**43,846**
Cash flows from financing activities			
Principal elements of lease payments		-	(198)
Net cash outflow from financing activities		**-**	**(198)**
Net increase/(decrease) in cash and cash equivalents		**22,719**	**(61,231)**
Cash and cash equivalents at the beginning of the year		43,206	104,437
Cash and cash equivalents at the end of the year		**65,925**	**43,206**

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 38.

Notes to the Financial Statements
Table of Contents

Note Number **Page Number**

Note Number		Page Number
1.	Summary of significant accounting policies	12
2.	Corporate governance statement	16
3.	Risk management	17
4.	Capital management	21
5.	Insurance contracts – risk management policies and procedures	23
6.	Actuarial assumptions and methods	24
7.	Critical accounting judgements and estimates	29
8.	Premium revenue	29
9.	Investment and other income	29
10.	Net claims incurred	30
11.	Taxation	31
12.	Trade and other receivables	31
13.	Financial assets	32
14.	Net deferred reinsurance commission and acquisition costs	33
15.	Outstanding claims	33
16.	Unearned premium liability	35
17.	Auditor's remuneration	35
18.	Key management personnel compensation	36
19.	Related party transactions	36
20.	Reconciliation of cash flows from operating activities	38
21.	Contingent liabilities	38
22.	Events subsequent to balance date	38

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allianz Australia Insurance Limited is a company domiciled in Australia and operates a branch in New Zealand, Allianz Australia Insurance Limited – New Zealand Branch (the “NZ Branch”), and its ultimate parent entity is Allianz SE, incorporated in Germany. This financial report includes the financial statements of the NZ Branch as an individual entity, for the year ended 31 December 2022.

The NZ Branch is a for-profit entity and its principal activity during the course of the reporting period was that of the provision of general insurance services.

The NZ Branch’s registered office is:

C/- Bell Gully, 48 Shortland Street,
Auckland 1140,
New Zealand.

These general purpose financial statements were authorised by the Board of Directors for issue on the date of this report. The Directors have the power to amend and reissue the financial statements.

(a) Basis of Preparation

(i) Statement of compliance

The financial statements are a general purpose report which has been prepared in accordance with Generally Accepted Accounting Practices in New Zealand (“NZ GAAP”).

These financial statements of the NZ Branch also comply with International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

(ii) New and amended accounting standards adopted

No standards effective in the period have resulted in a significant change in the accounting policies of the NZ Branch.

(iii) New standards and interpretations not yet adopted

As at the date of this financial report, there are several new or revised accounting standards published by the NZ that will be mandatory in future financial years. The new or revised accounting standards that are expected to have a significant impact on the financial report of the NZ Branch are set out below. The NZ Branch has not yet adopted these accounting standards.

The following standards, amendments to standards and interpretations have been identified as those which may impact the NZ Branch in the period of initial application.

NZ IFRS 17 *Insurance Contracts* was issued in August 2017, and is effective for financial periods beginning on or after 1 January 2023. It is noted that the International Accounting Standards Board has agreed to defer the application of the International equivalent of this Standard, IFRS 17 Insurance Contracts to 1 January 2023, and the New Zealand External Reporting Board has adopted the same position.

The Company has established a project team to implement the requirements of NZ IFRS 17 and is currently performing a detailed impact assessment of the standard.

NZ IFRS 17 introduces a general model that measures insurance contracts based on the fulfilment cash flows (present value of estimated future cash flows with a provision for risk) and the contractual service margin (the unearned profit that will be recognised over the coverage period), and a simplified measurement model (the premium allocation approach or PAA) which is permitted in certain circumstances. An assessment of PAA eligibility has been completed, and it is expected that the PAA approach will be applied to all issued and ceded policies.

NZ IFRS 17 allows insurers to decide whether the impact of changes in economic / financial assumptions will be accounted for through the insurance financial result, therefore impacting the P&L, or through OCI. It is expected that the OCI option will be utilised for all portfolios.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (continued)

(iii) New standards and interpretations not yet adopted (continued)

Had AASB 17 been adopted in the current financial year, the following impact would be expected at 1 January 2022:

Net increase in retained earnings on transition within a range of 5 million. This is driven by the following impacts on opening balances:

- discounting of net liability for incurred claims (LIC) at the locked in discount rate at the date of loss compared to discounting of the liability at the current rate under AASB 1023;
- initial application of the risk adjustment compared to previous application of risk margin under AASB 1023 to achieve a 75% probability of sufficiency. Under AASB 17, the risk adjustment will be calculated using a cost of capital approach, representing the cost of holding the necessary capital to support the insurance obligations over the lifetime of all insurance contracts;
- initial application of the onerous contract test to the LIC and resulting recognition of the loss component compared to the previous application of the liability adequacy test under AASB 1023;
- change in methodology adopted for the capitalisation of attributable expenses as deferred acquisition costs under AASB 17 compared to AASB 1023; and
- the tax effect thereon.

(iv) Basis of measurement

These financial statements are prepared under the historical cost basis, as modified by certain exceptions noted in the financial statements, with the principal exception being the measurement of financial assets designated at fair value through profit or loss and the measurement of the outstanding claims liability and related reinsurance recoveries as set out below.

(v) Basis of measurement

These financial statements are prepared under the historical cost basis, as modified by certain exceptions noted in the financial statements, with the principal exception being the measurement of financial assets designated at fair value through profit or loss and the measurement of the outstanding claims liability and related reinsurance recoveries as set out below.

(vi) Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the NZ Branch’s accounting policies. The areas involving a higher degree of judgement or complexity, or in areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 6 and 7.

(vii) Rounding off

The financial statements are rounded to the nearest thousand dollars ($000) unless stated otherwise.

(b) Premium revenue recognition

Direct insurance and inwards reinsurance premiums comprise amounts charged to policyholders or other insurers and include fire and emergency services levies, but exclude stamp duties, goods and services tax (“GST”) and other amounts collected on behalf of third parties. The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. Premium is earned from the date of attachment of risk.

Premium on unclosed business is brought to account by reference to historical trends to account for business that has been written at the balance date, but not yet processed, with due allowance for any changes in the pattern of new business and renewals as at period end.

(c) Outwards reinsurance expense

Premiums ceded to reinsurers are recognised as outwards reinsurance expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk. Deferred reinsurance is recognised in the Statement of Financial Position from the attachment date and amortized over the period of the contract on a daily pro-rata method basis.

(d) Unearned revenue

The pattern of recognition of income over the policies or indemnity periods is based on time, which closely approximates the pattern of risks underwritten. Unearned premium is determined by apportioning the premiums written over the period of risk from the dates of attachment. Premium ceded to reinsurers is recognised as an expense from the attachment date in accordance with the pattern of incidence of risk. The deferred portion of outwards reinsurance premium is treated in the statement of financial position as an asset.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment revenue

Investment revenue includes income from investing activities including interest income, and realised and unrealised gains and losses.

(f) Other income

Other income includes interest income from cash deposits held and service fee revenue from insurance related management services provided to third parties and is brought to account in accordance with the requirements of NZIFRS 15 *Revenue from Contracts with Customers.*

(g) Claims expense and outstanding claims liabilities

Claims expense and the liability for outstanding claims are recognised in respect of direct and discontinued (run-off) insurance.

The liability covers claims reported but not yet paid, incurred but not reported claims ("IBNR") and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. IBNRs and settlement costs are calculated using statistical techniques and actuarial assessment of past experience and trends together with the assessment of likely future developments.

Long-tail claims relate to classes of insurance business where notice of a claim may not be received for many years or claims may be outstanding for long periods before they are settled. Often these long tail claims are associated with protracted legal proceedings to apportion liability and to establish the value of losses incurred.

The provisions for outstanding claims were established by the Directors based on estimates of the ultimate liability which were calculated by the NZ Branch's Appointed Actuary. The estimates of the ultimate liability were based on analysis of past numbers of claims and amounts of claim payments. The estimates include allowance for IBNR claims and for anticipated future inflation of claim costs, with an additional risk margin to allow for inherent uncertainty in the estimation of the central estimate. This risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries and increases the probability that the net liability is adequately provided for.

The details of the amount of risk margin applied and the process of determining the risk margin is set out in Note 5(e) and Note 15. The outstanding liability is measured as the present value of the estimated ultimate future direct and indirect costs of settling claims. Details of the rates of anticipated future inflation of claim costs and discount applied are set out in Note 6.

(h) Trade and other receivables

Trade and other receivables include premiums receivable, unclosed premiums and other receivables provided to or due from third parties. Premiums receivable and other receivables are carried at cost, except where collection is doubtful and an impairment loss is recognised, which is not materially different from fair value. Amounts due from related parties are interest free and repayable at call.

(i) Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

(j) Acquisition costs

Acquisition costs are incurred in obtaining and recording policies of insurance. They include commission or brokerage paid to agents or brokers for obtaining business for the insurer, selling and underwriting costs such as advertising and risk assessment, the administrative costs of recording policy information and premium collection costs.

A portion of acquisition costs related to unearned premium revenue is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount. Deferred acquisition costs are amortised in accordance with the expected pattern of the incidence of risk under the related general insurance contracts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Acquisition costs (continued)

Deferred acquisition costs are taken up to the extent that the related net unearned premiums exceed the sum of the deferred acquisition cost and the present value of both future expected claims and settlement costs including an appropriate risk margin. Where there is a shortfall, the deferred acquisition cost asset is written down and if insufficient, an additional unexpired risk liability is recognised.

(k) Fire & emergency services levies

A liability for fire and emergency services levies is recognised on business written up to the balance sheet date. Levies and charges payable by the NZ Branch are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

(l) Investments

The carrying amounts for all assets backing insurance liabilities are equal to fair value with movements being recognised in the statement of profit or loss and other comprehensive income. Refer to Note 1(n) for further description of the accounting policies surrounding assets backing general and life insurance liabilities.

(m) Taxation

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on the national income tax rate in New Zealand.

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either the accounting profit or loss or taxable profit or loss. The income tax expense or revenue attributable to amounts recognised directly in the head office account is also recognised directly in the head office account. The associated current or deferred tax balances are recognised in these accounts.

The NZ Branch and Allianz New Zealand Limited constitute a group for tax purposes, which allows for the NZ Branch's tax losses to be offset against the taxable income of Allianz New Zealand Limited. The NZ Branch and Allianz New Zealand Limited must maintain a minimum of 66% commonality of ownership in order to be considered a group for tax purposes. The NZ Branch's tax losses can also be carried forward and offset against future taxable income of the NZ Branch subject to it maintaining shareholder continuity within the entity of at least 49%.

(n) Financial assets

The carrying amounts for assets backing insurance liabilities are equal to fair value with movements being recognised in the statement of profit or loss and other comprehensive income. The following policies apply to assets held to back general insurance liabilities:

- Cash assets and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amount of cash assets and bank overdrafts approximate their fair values. For the purpose of the statement of cash flows, cash includes cash on hand and deposits at call with banks, net of bank overdrafts.

- Investment in unlisted fixed interest securities is initially recognised at cost and the subsequent fair value is taken as the quoted bid price of the instrument at the statement of financial position date. Gains and losses are brought to account through profit or loss income.

- All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention (regular way transactions) are recognised at trade date, being the date on which the NZ Branch commits to buy or sell the asset.

2. CORPORATE GOVERNANCE STATEMENT

The NZ Branch is subject to the Company's corporate governance structure and requirements.

The Board of Directors has adopted a Board Charter, which sets out a description of its key functions and responsibilities. The Charter requires the Board to:

- Establish the fundamental aims of the corporation, set performance goals, approve strategies and any changes to organisation structure and to approve the annual budget;
- Meet Board composition requirements and approve appointments to the Board;
- Approve the appointment, targets and remuneration of the Managing Director and their direct reports;
- Approve actuary and external auditor appointments;
- Consider and approve potential acquisitions;
- Consider and approve material policies;
- Monitor the Company's financial position against the budget and the strategic plan, consider the Financial Condition Report and approve the Company's annual financial statements;
- Oversee the Company's capital adequacy strategy and the Company's use of an internal model-based method for calculating capital and approve any changes to the Internal Capital Adequacy Assessment Process;
- Oversee significant business risks, including maintaining a Risk Appetite Statement and appropriate risk management policies and procedures;
- Monitor compliance programs;
- Oversee the Company's work, health and safety policies; and
- Oversee human resources and remuneration, investment and audit and risk management issues through delegation to Board committees.

The Company has six Board appointed committees, these being:

- Human Resources and Remuneration Committee;
- Audit Committee;
- Risk Committee;
- Investment Committee;
- Nominations Committee; and
- Technology Committee

The Board approves a number of policies, including:

- Fit and Proper Policy;
- Remuneration Policy;
- Board Assessment Policy; and
- Outsourcing Policy.

The Directors of the Company at any time during or since the end of the financial year are as follows:

The names of each person holding the position of Director of Allianz Australia Insurance Limited during or since the end of the reporting period are P.J. Dwyer, R.D. Feledy, T.K.H. Naumann, P.N.J Allaway, R.M. Hutchinson, J.F. McAloon, V.A. McFadden, C.G. Townsend (appointed 1 January 2022) and U. Lange (appointed as an alternate director 17 February 2022 and resigned 18 January 2023).

T.K.H. Naumann, C.G. Townsend and U. Lange represent the shareholder, Allianz SE, that resulted in them having significant influence over the financial and operating policies of the Company since their appointment.

3. RISK MANAGEMENT

The NZ Branch's activities expose it to a variety of material risks, both material financial and non-financial. Financial risks include: insurance risk, financial risk, credit risk, market risk, and funding and liquidity risk. Non-financial risks include: operational and compliance risk, strategic risk, conduct risk, Environmental Social and Governance (ESG) (including climate change risk) and reputational risk.

The NZ Branch's maintains various Risk Ownership Frameworks to manage and govern material risk categories. The NZ Branch's exposure to material risks are detailed below:

(a) Insurance risk

The NZ Branch seeks to understand and manage insurance risk in order to minimise potential adverse effects on its financial performance. Models are used extensively to manage insurance risk and include catastrophe models, reserving models and pricing models.

(i) Underwriting risk

The principal underwriting risk the NZ Branch faces under insurance contracts is that actual claims and benefits payments may differ from expectations. This is influenced by the frequency and severity of claims and is heightened for long-term claims where duration creates increased uncertainty. Expectations are set based on underwriting principles, guidelines and limits that are set in accordance with the NZ Branch's underwriting risk appetite.

The underwriting risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The risk is managed through the strategic selection of exposures, the implementation of technical underwriting guidelines and technical excellence, a focus on sustainable and profitable business practices, and reinsurance.

(ii) Pricing risk

Pricing risk arises when the NZ Branch does not correctly price its products to cover costs and achieve required profit margin caused by experience emerging differently to assumptions and/or errors are made in the price setting process.

Pricing risk is managed through technical pricing modelling, rate adequacy monitoring, regular portfolio reviews, natural hazard pricing, and other pricing governance activities.

Pricing risk is also monitored across the NZ Branch's product portfolio, including measuring set product risk metrics. Oversight is provided by the Product, Underwriting and Pricing Committee.

(iii) Reserving risk

Reserving risk is the risk of inaccurate estimation of insurance liabilities and is heightened for long tail claims where duration creates increased uncertainty. The objective is to ensure that sufficient reserves are available to cover these liabilities but without excessive prudence. The governance framework to manage reserving risk around the insurance liability valuation, led by the Chief Actuary, is in accordance with the principles and methodology set out by APRA, and the NZ Branch's Group and Local actuarial professional standards. Oversight is provided by the Reserving Committee.

(iv) Reinsurance risk

Reinsurance risk is the risk that the NZ Branch could be exposed to unexpected net losses as a result of inappropriate decisions made on reinsurance purchasing, an inability to recover from reinsurers due to unclear cover definitions, and/or inadequate treaty limits and reinsurance arrangements.

The NZ Branch maintains a Reinsurance Management Strategy ("REMS") as required by APRA Prudential Standard GPS230. The REMS is reviewed annually and approved by the Board.

Concentration of risk (accumulation risk) may arise where a particular event or series of events could impact heavily upon the NZ Branch's. Such concentrations may arise from a single insurance contract or through a number of contracts that become related due to geographic proximity or exposure to a single event. The NZ Branch selects reinsurance arrangements consistent with commercial and market considerations to limit risk exposure and manage risk appetite. These arrangements may be placed on both a proportional and a non-proportional basis. The Reinsurance management process models and monitors aggregate exposures (or accumulations) and potential outcomes. This assists in confirming that exposures remain diversified and that reinsurance arrangements are adequate.

(v) Product Risk

Product risks are managed through setting competitive portfolio strategy, consistent with underwriting guidelines and risk appetite, portfolio steering, appropriate design and monitoring of product performance.

3. RISK MANAGEMENT (CONTINUED)

(b) Financial risk

The NZ Branch's overall financial risk management program focuses on the management of insurance risk and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The NZ Branch previously held principal investments in short-term liquid deposits of Negotiable Certificate Deposits ("NCD's") and cash balances at hand. Investments in short-term liquid deposits of NCD's were sold on 8 July 2022. The main purpose of these financial instruments was to back insurance liabilities and generate a return on the investments held.

(c) Credit risk

Credit risk is the risk of loss from a counterparty failing to meet their obligations. The NZ Branch's credit risk arises predominantly from investment activities, reinsurance activities and dealings with intermediaries and policyholders. The maximum exposure to credit risk is the fair value of individual assets. The NZ Branch may hold collateral to mitigate credit risk.

Compliance with investment mandates based on the approved Strategic Asset Allocation and Investment Management Agreement is applied for Investments. Credit risk exposures from premium debtors are reported to the Senior Management Team on a regular basis.

Investment credit risk is monitored as part of its investment management process. Exposure to individual third parties as well as the overall creditworthiness of the portfolio is monitored regularly as part of the review of the asset allocation, performance and compliance with investment mandates.

The approach to managing credit risk exposure to reinsurance counterparties is set out in the REMS and includes monitoring and controlling concentration limits for credit risk exposure to reinsurance counterparties.

The table below provides information regarding the credit risk exposure of the NZ Branch by classifying assets according to Standard & Poors (S&P) credit ratings of the counterparties. AAA is the highest possible rating.

	AA+ AA AA-	**A+ A A-**	**Not Rated**	**Total**
	$000	$000	$000	$000
2022				
Cash and cash equivalents	65,925	-	-	65,925
Trade and other receivables	14,551	64	39,192	53,807
Reinsurance and other recoveries receivable	68,525	385	640	69,550
Financial assets at fair value through profit and loss	-	-	-	-
Total financial assets	**149,001**	**449**	**39,832**	**189,282**
2021				
Cash and cash equivalents	43,206	-	-	43,206
Trade and other receivables	3,636	1,028	53,880	58,544
Reinsurance and other recoveries receivable	50,949	5,311	-	56,260
Financial assets at fair value through profit and loss	44,965	-	-	44,965
Total financial assets	**142,756**	**6,339**	**53,880**	**202,975**

3. RISK MANAGEMENT (CONTINUED)

(d) Funding & liquidity risk

The NZ Branch could be exposed to having to unexpectedly liquidate investments to meet operating cash flow requirements, including insurance payment obligations. Funding and liquidity risk is mitigated through the highly liquid nature of the majority of investments with ongoing monitoring of liquidity levels and cashflow requirements.

The procedures adopted include forecasting future cash requirements by identifying significant cash outflow obligations and allowing for the impact of possible but unexpected cash outflows.

The table below analyses the NZ Branch financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, unless otherwise stated.

	Maturing in:				
	1 year or less $000	1 to 3 years $000	3 to 5 years $000	Over 5 years $000	Total $000
As at 31 December 2022					
Outstanding claims	70,362	7,431	1,324	371	79,488
Accounts payable and accruals	84,334	-	-	-	84,334
Total financial liabilities	**154,696**	**7,431**	**1,324**	**371**	**163,822**

	Maturing in:				
	1 year or less $000	1 to 3 years $000	3 to 5 years $000	Over 5 years $000	Total $000
As at 31 December 2021					
Outstanding claims	50,169	13,126	7,331	2,790	73,416
Accounts payable and accruals	86,473	-	-	-	86,473
Total financial liabilities	**136,642**	**13,126**	**7,331**	**2,790**	**159,889**

(e) Market risk

Market risk mainly impacts the NZ Branch investment portfolio and is the possibility of losses due to factors that affect the overall performance of financial markets. It includes foreign exchange risk, interest rate risk, reinvestment risk and concentration risks. Foreign exchange risk and interest rate risk are further explained below.

(i) Foreign exchange risk

The NZ Branch's exposure to foreign exchange risk is primarily as a result of the foreign branch that operates in Australia. The NZ Branch may enter into forward exchange contracts designed to either hedge some or all of this exposure, or alternatively increase exposure to preferred foreign currencies or markets. Other transactions with offshore entities, are denominated in AUD and EUR.

(ii) Interest rate risk

The NZ Branch exposure to interest rate risk is primarily as a result of fluctuating yield curves both changes to nominal and real curves, adversely affect earnings/capital. The NZ Branch no longer holds any interest bearing securities, holding only cash investments as at the year-end date. As a result of this, interest rate risk is not considered to have a material effect on the NZ Branch.

(iii) Capital management risk

The NZ Branch is exposed to capital management risk as a result of not maintaining adequate capital for business continuity and solvency, regulatory and/or management defined capital requirements. Capital management risk also includes the risk of failure to utilise capital for opportunities meeting risk return trade-offs.

The NZ Branch maintains adequate capital in accordance with the Company's Internal Capital Adequacy Assessment Process (ICAAP) which sets out capital targets and triggers, capital monitoring and strategies for accessing additional capital if required. Capital is managed by the NZ Branch to meet regulatory requirements and shareholder needs.

3. RISK MANAGEMENT (CONTINUED)

(e) Market risk (continued)

(iv) Fair value estimation

The carrying value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the NZ Branch approximates their fair value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The fair value of unlisted funds is based upon independent valuations using a combination of observable or comparable market prices or other valuation techniques.

(v) Summarised sensitivity analysis

The following table summarises the impact of increase/decrease in interest rates on the NZ Branch's post-tax profit for the year. The analysis is based on a scenario where interest rates had increased / decreased by a nominal amount of 1% at year end with all other variables held constant.

		-1%	+1%
	Carrying Amount $000	**Profit/Head Office Account $000**	**Profit/Head Office Account $000**
2022			
Financial assets			
Cash	65,925	(475)	475
Bills of exchange and floating notes	-	-	-
Total financial assets	**65,925**	**(475)**	**475**
2021			
Cash	43,206	(311)	311
Bills of exchange and floating notes	44,965	324	(324)
Total financial assets	**88,171**	**13**	**(13)**

(h) Environmental Social and Governance (ESG) and reputation risks

ESG risks are social, environmental (including climate change) and governance variables or conditions that may affect the NZ Branch financial position, operating performance or reputation of Allianz. Reputation Risk is the risk of potential damage to the NZ Branch reputation arising directly or indirectly from the manifestation of other material risks.

The NZ Branch is committed to making a positive contribution to society and the environment. ESG policies and processes guide the business in ensuring business transactions align to these values. ESG can arise in underwriting, investment and procurement activities. Guidelines are in place to manage sensitive areas, including seeking Allianz SE Group approval in certain circumstances.

Allianz has completed a qualitative climate risk self-assessment across all risk classes, working in partnership with experts across the business. The assessment aligns to APRA guidance for the management of climate risks, CPG 229 Climate Change Financial Risks. Furthermore, based on APRA's published findings from a survey benchmarking alignment to CPG 229, Allianz responses reflect a good alignment in Governance, Risk Management and Strategy, with further work underway.

The NZ Branch recognises climate change as a risk and action plans are in place to meet the Allianz SE Group targets. The NZ Branch manages risks arising from climate change and promote the transition to a low-carbon economy as well as reducing the NZ Branch's environmental impacts.

Reputational impact can occur through both direct and indirect impacts from operational risk events and the manifestation of inadequately managing other material risks. Potential issues are identified, managed and monitored to enable appropriate mitigating actions and responses to be prepared and effected.

4. CAPITAL MANAGEMENT

(a) Capital management strategy risk

The NZ Branch is regulated by the Reserve Bank of New Zealand ("RBNZ"). The capital management strategy plays a central role in managing risk to create shareholder value whilst meeting the objective of providing an appropriate level of capital to protect policyholders' interests and satisfy regulators. Capital finances growth and capital expenditure while providing a buffer against adverse outcomes from insurance and other activities and investment performance.

With the implementation of the Insurance (Prudential Supervision) Act 2010 all general insurance entities carrying on insurance business in New Zealand are required to be licensed by the RBNZ. The Company, Allianz Australia Insurance Limited was granted a licence on 1 January 2013 by the RBNZ as required by the Insurance (Prudential Supervision) Act 2010. The NZ Branch has been granted exemptions from lodgement of half year interim financial statements and half yearly and yearly solvency returns. The NZ Branch's reporting obligations to the RBNZ have been satisfied by submissions to the RBNZ of the Company's and Parent Company's returns as submitted to the Australian Prudential Regulation Authority ("APRA").

Allianz Australia Insurance Limited is licensed by APRA and is subject to its prudential standards. In accordance with GPS 110 Capital Adequacy ("GPS 110") issued by APRA, the Company has in place an Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP outlines the policies and procedures in place to manage and maintain an adequate level of capital in line with the risks accepted and the Company's risk appetite.

The capital management strategy plays a central role in managing risk to create shareholder value whilst meeting the objective of providing an appropriate level of capital to protect policyholders' interests and safety regulators. Capital finance growth and capital expenditure while providing a buffer against adverse outcomes from insurance and other activities and investment performance.

Capital calculations for regulatory purposes are based on the prospective accounting model which is different from the deferral and matching model which underpins the measurement of assets and liabilities in the financial statements. The prospective accounting model assesses future claims payments arising from future events insured under existing policies. This differs from the measurement of the outstanding claims liability on the statement of financial position which considers claims relating to events that occur only up to and including the end of the reporting period.

Since 31 March 2010, APRA has also required that the capital calculations are made for the Level 2 Group. This Level 2 Group includes all entities within the Company. From 1 January 2013 regulatory capital for the Company has been determined with reference to an internal model based approach.

Consideration is given to the operational capital needs of the business. The Company's capital objective is to target a capital buffer above the prudential regulatory requirement (PCR) to ensure the ongoing strength and security of the Company whilst suitably protecting policyholders. This capital buffer is defined as a multiple of the PCR and is set in line with the stated risk appetite for a PCR breach over one year.

The capital objective is achieved through dynamic management of the statement of financial position and capital mix and the use of a risk based capital adequacy framework that relies on explicit quantification of uncertainty or risk and the use of internal modelling techniques. The Company performs stress and scenario analysis to assess the influence on capital needs of the Company's product mix, reinsurance program, catastrophe exposure, investment strategy, profit margin and capital structure. Management monitor the NZ Branch's financial position on a regular basis to ensure that it remains in a net asset position throughout the year.

The NZ Branch is not rated by an external ratings agency but the Company has a Standard and Poors rating of AA-.

(b) Regulatory capital compliance

The entity's reporting obligations to the RBNZ have been satisfied by submissions to the RBNZ of the Company's and Parent Company's APRA returns. Set out below is the Company's APRA regulatory capital base and prescribed capital amount as well as the corresponding RBNZ terms as at 31 December 2022.

4. CAPITAL MANAGEMENT (CONTINUED)

(b) Regulatory capital compliance (continued)

	2022 AUD $000	2022 NZD $000
Statutory capital of Allianz Australia Insurance Limited		
Common equity tier 1 capital		
Ordinary shares	2,085,307	2,236,033
Retained earnings	1,257,393	1,348,277
Disclosed reserves	(35,916)	(38,512)
Technical provision in excess of liability valuation (net of tax)	175,505	188,190
Regulatory adjustments for non-allowable assets	(1,331,818)	(1,428,082)
Total common equity tier 1 capital	**2,150,471**	**2,305,906**
Total regulatory capital	**2,150,471**	**2,305,906**
Prescribed capital amount		
Insurance risk charge	796,216	853,767
Insurance concentration risk charge	200,000	214,456
Diversified asset risk charge	645,865	692,548
Operational risk charge	223,188	239,320
Aggregation benefit	(350,974)	(376,342)
Adjustments to prescribed capital amount as approved by APRA	(151,430)	(162,375)
Prescribed capital amount	**1,362,865**	**1,461,374**
Solvency margin	**787,606**	**844,532**
Capital adequacy multiple	**1.58**	**1.58**

	2021 AUD $000	2021 NZD $000
Statutory capital of Allianz Australia Insurance Limited		
Common equity tier 1 capital		
Ordinary shares	2,085,307	2,214,429
Retained earnings	1,464,911	1,555,618
Disclosed reserves	(34,175)	(36,291)
Technical provision in excess of liability valuation (net of tax)	87,359	92,768
Regulatory adjustments for non-allowable assets	(1,287,959)	(1,367,709)
Total common equity tier 1 capital	**2,315,443**	**2,458,815**
Total regulatory capital	**2,315,443**	**2,458,815**
Prescribed capital amount		
Insurance risk	1,118,885	1,188,166
Insurance concentration risk charge	150,000	159,288
Diversified asset risk charge	701,803	745,259
Operational risk charge	220,956	234,638
Aggregation benefit	(402,632)	(427,563)
Adjustments to prescribed capital amount as approved by APRA	(178,901)	(189,979)
Prescribed capital amount	**1,610,111**	**1,709,809**
Solvency margin	**705,332**	**749,006**
Capital adequacy multiple	**1.44**	**1.44**
Additional capital requirement*	150,000	159,288
Adjusted capital adequacy multiple	**1.32**	**1.32**

* On 9 March 2021, the Company entered into a Court Enforceable Undertaking with APRA over the completion of the Company's Risk & Compliance Transformation Programs within agreed timeframes. On 12 July 2022, APRA removed the remaining capital requirement of $150,000,000 following the successful completion of the transformation programs in accordance with the commitments and timeframes set out in the CEU.

5. INSURANCE CONTRACTS – RISK MANAGEMENT POLICIES AND PROCEDURES

(a) Risk management objectives and policies for mitigating insurance risk

Short-term variability is, to some extent, a feature of insurance business. The Company has an objective to manage insurance risk and reduce the resulting volatility of operating profits to manage the level of capital that the Company requires, and this also is applied to the NZ Branch.

In accordance with CPS 220 *Risk Management* (CPS 220) and GPS 230 *Reinsurance Management (*GPS 230) issued by APRA, Allianz Australia Limited and its controlled entities has in place a sound and prudent Risk Management Framework ("RMF"). This RMF includes a Risk Management Strategy ("RMS") and a Reinsurance Management Strategy ("REMS").

The RMF provides a basis to ensure that the NZ Branch manages its risks in relation to its obligations to the Reserve Bank of New Zealand under s.73(1) and s.73(2) of the Insurance (Prudential Supervision) Act 2010 ('the Act").

The RMF, RMS and REMS identify the policies, procedures, processes and controls that the NZ Branch utilises to address material risks, financial and non-financial, that are likely to face the organisation. Annually, the Board certifies to APRA that these strategies are appropriate and that it has satisfied itself as to the level of compliance with the RMS and REMS.

Key aspects of the activities established to mitigate risks include the following:

- Actuarial models, using information from the management information systems, past experience and assessments of likely future developments are used to calculate premiums and monitor claims patterns.

- The underwriting approach seeks to ensure a balanced portfolio and is based on a large portfolio of diverse risks. A balance is maintained between long-tail and short-tail classes. This strategy is cascaded down to individual underwriters through detailed underwriting authorities. Independent underwriting reviews are carried out to ensure compliance with the strategy.

- Reinsurance is used to limit the NZ Branch's exposure to large single claims and catastrophes. The NZ Branch purchases a combination of proportional and non-proportional reinsurance treaties and employs facultative reinsurance as necessary. When selecting a reinsurer only those companies that provide high security are considered.

(b) Terms and conditions of insurance contracts

Insurance indemnifies, subject to any limits or excesses, the policyholder against the insured losses. The return to shareholders of the Company arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred in administering this function.

The risk on any policy will vary according to many factors such as nature of cover offered, location, safety measures in place, age of property etc. The terms and conditions attaching to insurance contracts take into account these variables, which affect the level of insurance risk accepted by the NZ Branch and the subsequent return.

The majority of direct insurance contracts written are entered into on a standard form basis. There are no special terms or conditions in any non-standard contracts that have a material impact on the financial report.

(c) Concentrations of insurance risks

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the NZ Branch's assets. Such concentrations may arise from a single insurance contract or through a number of contracts that become related due to geographic proximity or exposure to a single event.

The NZ Branch has processes in place to monitor its aggregate exposure position and to model the risk posed by exposure concentrations to the Statement of Financial Position. These processes ensure that exposures remain diversified and that reinsurance arrangements are adequate.

5. INSURANCE CONTRACTS – RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)

(d) Interest rate risk

The insurance or reinsurance contracts contain no clauses that expose the NZ Branch directly to interest rate risk. The insurance and reinsurance contracts are annually renewable and the conditions are negotiable. In addition, the matching of investment assets and liabilities reduces exposure to interest rate fluctuations.

(e) Credit risk

The NZ Branch is exposed to credit risk on reinsurance contracts as a result of exposure to individual reinsurers. The credit risk to reinsurers is managed through the global Allianz group having a pre-determined policy on the appropriate rating a reinsurer must have to participate on the insurer's reinsurance programme. The NZ Branch's policy is not to accept reinsurers with the following S&P (or equivalent A.M. Best) ratings:

- Less than "A-" for short-tail classes.
- Less than "A+" for long-tail classes.

All reinsurance arrangements carry a downgrade clause providing the NZ Branch with the option to immediately replace any reinsurer with an S&P rating that falls below predetermined minimum levels. An exception to this may be made in relation to reinsurance counterparties that are part of the Allianz Group, for whom the downgrade clause is not always included. An exception may also be made in those instances when the NZ Branch obtains the permission of the Allianz Group Security Vetting Team to use a reinsurer which does not have an S&P or A.M. Best rating.

6. ACTUARIAL ASSUMPTIONS AND METHODS

(a) Actuarial information

Timothy Clark is the Appointed Actuary for the Company and the NZ Branch. He is in the process of becoming an Appointed Actuary, with his application submitted to the Reserve Bank of NZ. The outstanding claims reserve disclosed have been calculated in accordance with the New Zealand Society of Actuaries Professional Standard No. 4.1 "Valuations of General Insurance Claims". The effective date of the Appointed Actuary's advice is 31 December 2022.

The Appointed Actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability, and there were no qualifications contained in the actuarial advice. The key assumptions used in the compilation of the reserves as at 31 December 2022 are outlined below.

(b) Actuarial methods

The NZ Branch manages a wide range of insurance risks including both short-tail classes and long-tail classes.

The most significant classes of business, as determined by the size of the outstanding claims liability and divided between short-tail and long-tail are:

Short-tail classes	**Long-tail classes**
Commercial motor vehicle	Public and products liability
Domestic buildings and contents	Professional indemnity
Commercial property	
Travel	

6. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

(b) Actuarial methods (continued)

(i) Short-tail classes

These portfolios contain claims that are typically reported and settled within one year of being incurred. At least two actuarial methods are used to estimate the outstanding claims with the final estimate being based on actuarial judgement.

For these classes, the outstanding claims are typically heavily reliant on the level of case reserves with allowance for claims incurred but not reported (“IBNR”) and claims incurred but not enough reported (“IBNER”) based on the expected pattern of claims development.

Typically, the methods applied do not make specific allowance for inflation but are implicitly reflected in other assumptions. However for some methods, claims inflation is then incorporated into the resulting projected payments, allowing for general economic inflation.

Projected payments are discounted to allow for the time value of money.

In March 2020 the World Health Organisation declared a pandemic following the outbreak of the infectious coronavirus disease 2019 ("COVID-19"). In addition to the standard methods, the impact of the COVID-19 pandemic on reserves was separately considered. Exposure based estimation techniques were used where appropriate to determine the ultimate cost of COVID-19 claims based on exposure and assumptions selected to reflect expected additional claims frequency, average claim sizes and loss ratios due to the pandemic. The NZ Branch does not have any significant exposures to pandemic losses, and at this stage, no material provisions have been made.

(ii) Long-tail classes

These portfolios contain claims that are typically reported and settled more than one year after being incurred. A range of actuarial methods are used with at least two different methods being applied to most portfolios.

Apart from latent claims, for recent accident years, the estimates of outstanding claims are derived principally from methods that are based on claim numbers and average claims sizes or based on initial expected loss ratios.

Claims inflation is incorporated into the resulting projected payments for each portfolio, to allow for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience. Superimposed inflation arises from non-economic factors such as developments of legal precedent. Some methods applied do not make specific allowance for inflation but are included implicitly in other assumptions. Projected payments are discounted to allow for the time value of money.

(c) Actuarial assumptions

Disclosure of all assumptions is impractical due to the large number of separate portfolio valuations carried out. The following actuarial assumptions have been made in determining the outstanding claims liabilities and are generally common across portfolios.

	2022 Short-Tail	2022 Long-Tail	2021 Short-Tail	2021 Long-Tail
Average weighted term to settlement (years)	0.27	3.44	0.84	1.78
Claims handling expenses (net of reinsurance)	9.7%	4.3%	4.9%	4.3%
Discount rate	5.38%	4.66%	2.11%	1.80%
Economic inflation rate per annum	2.5%	3.5%	2.5%	3.5%

6. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

(d) Process used to determine assumptions

(i) Average weighted term to settlement

The average weighted term to settlement is based on historic payment patterns.

(ii) Claims handling expenses

An activity-based costing approach has been adopted, with loadings varying by class of business gross of reinsurance recoveries but net of non-reinsurance recoveries.

(iii) Discount rate

Discount rates derived from market yields on New Zealand Government securities as at the balance date have been adopted for New Zealand portfolios respectively.

(iv) Economic inflation rate

Economic inflation assumptions are set by reference to current economic indicators and consideration of historical rates of inflation.

(v) Superimposed inflation

Superimposed inflation occurs due to non-economic effects such as court settlements increasing at a faster rate than wage inflation. An allowance for superimposed inflation was made for each underlying model, where appropriate, after considering both superimposed inflation based on past experience particularly in the longer term and industry superimposed inflation experience.

(e) Sensitivity analysis – insurance contracts

(i) Summary

The NZ Branch conduct sensitivity analyses to quantify the exposure to risk of changes in the key variables. The actuarial valuations of outstanding claims included in the reported results are calculated using certain assumptions about these variables. The movement in any key variable will impact the performance and the Head Office account of the NZ Branch. The tables below describe how a change in each assumption will affect the insurance liabilities and show an analysis of the sensitivity of the profit/(loss) and Head Office account to changes in these assumptions both gross and net of reinsurance.

Variable	Impact of movement
Average weighted term to settlement	Expected payment patterns are used in determining the outstanding claims liability. A decrease in the average term to settlement would lead to claims being paid sooner than anticipated. An increase or decrease in the average weighted term would have an opposing impact on the discounted claims expense.
Claims handling expenses	An estimate for the internal cost of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumptions would have a corresponding impact on discounted claims expense.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. The payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.
Economic and superimposed inflation rate	Expected future payments are inflated to take account of anticipated future inflationary increases. An increase or decrease in the assumed levels of economic inflation would have a corresponding impact on claims expense, with particular reference to longer tail business.

6. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

(e) Sensitivity analysis – insurance contracts (continued)

(ii) Impact of changes in key variables

The table below summarises the sensitivity of the profit/(loss) and the head office account to changes in key variables.

2022

	Movement in variable	Impact on (loss) before tax	Impact on (loss) before tax	Impact on Head Office Account	Impact on Head Office Account
		$000	$000	$000	$000
		Gross	Net	Gross	Net
Short-tail					
Average weighted term to settlement	+0.5 year	1,798	205	1,259	143
	-0.5 year	(980)	(113)	(686)	(79)
Claims handling expenses	+100 bps	(697)	(617)	(488)	(432)
	-100 bps	697	617	488	432
Discount rate	+100 bps p.a.	177	20	124	14
	-100 bps p.a.	(180)	(21)	(126)	(14)
Economic inflation rate	+100 bps p.a.	(188)	(21)	(132)	(15)
	-100 bps p.a.	189	22	132	15

	Movement in variable	Impact on (loss) before tax	Impact on (loss) before tax	Impact on Head Office Account	Impact on Head Office Account
		$000	$000	$000	$000
		Gross	Net	Gross	Net
Long-tail					
Average weighted term to settlement	+0.5 year	174	9	122	7
	-0.5 year	(178)	(10)	(125)	(7)
Claims handling expenses	+100 bps	(73)	(6)	(51)	(4)
	-100 bps	73	6	51	4
Discount rate	+100 bps p.a	100	13	70	9
	-100 bps p.a	(105)	(14)	(73)	(10)
Economic inflation rate	+100 bps p.a	(109)	(15)	(76)	(10)
	-100 bps p.a	106	14	74	10
Superimposed Inflation	+100 bps p.a	(109)	(15)	(76)	(10)
	-100 bps p.a	106	14	74	10

6. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

(e) Sensitivity analysis – insurance contracts (continued)

(ii) Impact of changes in key variables (continued)

The table below summarises the sensitivity of the profit/(loss) and the head office account to changes in key variables.

2021

	Movement in variable	Impact on profit before tax	Impact on profit before tax	Impact on Head Office Account	Impact on Head Office Account
		$000	$000	$000	$000
		Gross	Net	Gross	Net
Short-tail					
Average weighted term to settlement	+0.5 year	516	153	362	107
	-0.5 year	(521)	(155)	(365)	(108)
Claims handling expenses	+100 bps	(621)	(518)	(434)	(362)
	-100 bps	621	518	434	362
Discount rate	+100 bps p.a.	473	118	331	83
	-100 bps p.a.	(490)	(124)	(343)	(87)
Inflation rate	+100 bps p.a.	(493)	(125)	(345)	(88)
	-100 bps p.a.	486	122	340	85

	Movement in variable	Impact on Profit before tax	Impact on Profit before tax	Impact on Head Office Account	Impact on Head Office Account
		$000	$000	$000	$000
		Gross of RI	Net of RI	Gross of RI	Net of RI
Long-Tail					
Average Weighted Term to Settlement	+0.5 year	93	7	65	5
	-0.5 year	(94)	(7)	(66)	(5)
Claims Handling Expenses	+100 bps	(86)	(10)	(61)	(7)
	-100 bps	86	10	61	7
Discount Rate	+100 bps p.a	276	14	193	9
	-100 bps p.a	(294)	(14)	(206)	(10)
Inflation Rate	+100 bps p.a	(297)	(14)	(208)	(10)
	-100 bps p.a	284	14	199	10
Superimposed Inflation	+100 bps p.a	(297)	(14)	(208)	(10)
	-100 bps p.a	284	14	199	10

6. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

(f) Risk margin

The overall risk margin was determined allowing for diversification between different portfolios and the relative uncertainty of the outstanding claims estimate for each portfolio. The uncertainty for each portfolio was analysed taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of underlying data used in the models, the nature of insurance and the impact of exogenous factors such as legislative change.

The estimate of uncertainty is greater for long-tail classes when compared to short-tailed classes due to the longer time until settlement of outstanding claims.

The assumptions regarding uncertainty for each class were applied to the central estimates, and the results were aggregated, allowing for diversification in order to arrive at an overall provision that is intended to have a 75% probability of sufficiency.

The risk margins are as follows:

	Outstanding claims liability		Premium liabilities	
	2022	**2021**	**2022**	**2021**
Short-tail classes	3.4%	3.3%	5.8%	5.0%
Long-tail classes	3.3%	3.0%	5.8%	5.0%
Overall margin	3.4%	3.3%	5.8%	5.0%

7. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the NZ Branch's financial statements requires management to make estimates and assumptions that affect reported amounts. 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 area in which critical estimates and judgements are applied is in relation to outstanding claims and reinsurance and other recoveries receivable (Note 15).

8. PREMIUM REVENUE

	2022 $000	2021 $000
Gross written premium	29,567	26,334
Movement in unearned premium liability	1,158	10,032
Gross earned premium revenue	**30,725**	**36,366**
Outwards reinsurance expense	(27,746)	(28,085)
Net earned premium	**2,979**	**8,281**

9. INVESTMENT AND OTHER INCOME

Interest on government bonds	-	444
Other interest income	1,610	99
Unrealised gains/(losses) on investments	-	1
Realised losses on investments	-	(410)
Total investment and other income	**1,610**	**134**

10. NET CLAIMS INCURRED

	Current year $000	Prior years $000	Total $000
2022			
Gross claims incurred - undiscounted	(4,629)	(30,020)	(34,649)
Discount movement	238	(291)	(53)
Gross claims incurred - discounted	(4,391)	(30,311)	(34,702)
Reinsurance and other recoveries revenue - undiscounted	1,386	24,666	26,052
Discount movement	(223)	99	(124)
Reinsurance and other recoveries revenue discounted	1,163	24,765	25,928
Net claims incurred	**(3,228)**	**(5,546)**	**(8,774)**

	Current year $000	Prior years $000	Total $000
2021			
Gross claims incurred - undiscounted	(12,126)	18,091	5,965
Discount movement	421	668	1,089
Gross claims incurred - discounted	(11,705)	18,759	7,054
Reinsurance and other recoveries revenue - undiscounted	7,461	(12,062)	(4,601)
Discount movement	(303)	(489)	(792)
Reinsurance and other recoveries revenue discounted	7,158	(12,551)	(5,393)
Net claims incurred	**(4,547)**	**6,208**	**1,661**

Explanation of material movements in net claims incurred for risks borne in prior reporting periods

Current year claims are those which have occurred with a date of loss in the current financial period. Prior year claims relate to a reassessment of the ultimate cost of claims which occurred in all previous reporting periods. The prior year undiscounted releases are a result of favourable settlement experience, leading to releases in both central estimates and risk margins, as well as increases in investment yield curves throughout the year. The cost of most long tail claims with a prior year impact relates to personal injury classes.

11. TAXATION

	2022 $000	2021 $000
(a) Income tax expense		
Current tax (benefit)/expense	(319)	3,679
Movement in temporary differences	(829)	(535)
Prior year adjustment	-	15
Total recognised income tax (benefit)/expense	**(1,148)**	**3,159**
(b) Reconciliation of effective tax rate		
(Loss)/profit before tax	(4,100)	11,176
Income tax at 28%	(1,148)	(3,129)
Prior year adjustment	-	(30)
Total income tax (expense)/benefit	**(1,148)**	**(3,159)**

(c) Deferred tax asset

The balance comprises temporary differences attributable to:

	2022 $000	2021 $000
Deferred acquisition costs	598	538
Other items	59	9
Tax losses	718	-
Net deferred tax asset	**1,375**	**547**

12. TRADE AND OTHER RECEIVABLES

(a) Trade and other receivables

	2022 $000	2021 $000
Premiums receivable	17,453	16,934
Unclosed premiums	2,172	4,356
Reinsurance debtors	14,617	4,664
Other receivables	19,566	32,590
Provision for expected credit loss	(1)	-
To be received within 12 months	**53,807**	**58,544**
Total trade and other receivables	**53,807**	**58,544**

Premiums receivable are unsecured. Where collection of a trade receivable is doubtful, a provision for impairment is recognised.

(b) Amounts due from related parties

Receivables from related entities are interest free and repayable at call.

(c) Impairment losses

No impairment loss is recognised as at the year end. The ageing of trade and other receivables at the reporting date that were not impaired as follows:

	2022 $000	2021 $000
Not past due or impaired	47,483	52,219
0 to 3 months	6,181	6,181
3 to 6 months	3	3
Over 6 months	141	141
Total receivables	**53,808**	**58,544**

13. FINANCIAL ASSETS

(a) Investments

The carrying values and valuation of financial assets at reporting date are as follows:

	2022 $000	2021 $000
Bills of exchange and floating rate notes	-	44,965
Total financial assets at fair value through profit or loss	**-**	**44,965**

(b) Financial assets at fair value through profit or loss

All financial assets are carried at fair value and classified as level 2, based on valuation criteria as defined below:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2022	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Negotiable certificate of deposits	-	-	-	-
Total investments	**-**	**-**	**-**	**-**
Cash and cash equivalents	65,925	-	-	65,925
Total financial assets	**65,925**	**-**	**-**	**65,925**

2021				
Negotiable certificate of deposits	-	44,965	-	44,965
Total investments	**-**	**44,965**	**-**	**44,965**
Cash and cash equivalents	43,206	-	-	43,206
Total financial assets	**43,206**	**44,965**	**-**	**88,171**

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market 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.

Within the Level 2 category are financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions; assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers are valued using the vendors' proprietary models whereby the assumptions are market observable.

Non-market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. No investments have been categorised as Level 3 as at 31 December 2022. The appropriateness of fair value hierarchy classification is reviewed annually.

14. NET DEFERRED REINSURANCE COMMISSION AND ACQUISITION COSTS

The liability adequacy test (LAT) is carried out for portfolios of contracts within New Zealand that are subject to broadly similar risks that are managed together as a single portfolio, with the result indicating that net premium liabilities for the New Zealand portfolio is sufficient.

This prospective assessment compares the net present value of claims that are expected to be paid for future events insured under existing policies with net premium liabilities. In addition, a risk adjustment is required to be applied to premium liabilities with a 75% probability of adequacy.

	2022 $000	2021 $000
Movement in net deferred reinsurance commission and acquisition costs at 1 January		
Net deferred reinsurance commission and acquisition costs at 1 January	(1,923)	69
Reinsurance commission and acquisition costs deferred	(1,693)	(1,166)
Amortisation charged to income	1,482	(826)
Total as at 31 December	**(2,134)**	**(1,923)**

15. OUTSTANDING CLAIMS

(a) Outstanding claims liability

Expected future claims payments (undiscounted) - central estimate	78,299	71,676
Risk margin applied (undiscounted)	295	545
Claims handling expenses	894	1,195
Discount to present value - central estimate	(1,449)	(1,496)
Discount to present value - risk margin	(2)	(8)
Total outstanding claims liability	**78,037**	**71,912**

(b) Christchurch Earthquakes

The central estimate for the outstanding claims liability includes $1.5 million in 2022 (2021: $4.3 million) relating to the Christchurch earthquakes which occurred in 2010 and 2011, with $1.3 million (2021: $2.2 million) held in reinsurance recoveries to offset this. The estimate is based on information on individual reported claims plus an allowance for future claims and claims development.

(c) Kaikoura Earthquakes

The central estimate for the outstanding claims liability includes $56.0 million in 2022 (2021: $34.9 million) relating to the Kaikoura earthquakes which occurred in November 2016, with $48.7 million (2021: $28.0 million) held in reinsurance recoveries to offset this. The estimate is based on information on individual reported claims plus an allowance for future claims and claims development.

(d) Reconciliation of movement in discounted outstanding claims liability

	2022			2021		
	Gross $000	Recoveries $000	Net $000	Gross $000	Recoveries $000	Net $000
Balance as at 1 January	71,912	(56,260)	15,652	111,736	(71,161)	40,575
Current year claims incurred	4,391	(1,163)	3,228	11,705	(7,158)	4,547
Change in previous years' claims incurred	30,311	(24,765)	5,546	(18,758)	12,550	(6,208)
Current year claims paid	(2,641)	327	(2,314)	(3,886)	1,022	(2,864)
Change in prior year claims paid	(25,936)	12,311	(13,625)	(28,885)	8,487	(20,398)
Balance as at 31 December	**78,037**	**(69,550)**	**8,487**	**71,912**	**(56,260)**	**15,652**

15. OUTSTANDING CLAIMS (CONTINUED)

(e) Claims development table

The following tables show the development of gross and net discounted outstanding claims relative to the ultimate expected claims for the ten most recent accident years.

Gross

Accident year	2013 and Prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimated cumulative claims:	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
End of accident year	103,920	5,197	3,514	3,479	3,779	5,021	6,578	3,939	1,494	1,845	
One year later	118,303	6,319	5,176	3,498	4,944	6,484	7,093	3,134	1,614		
Two years later	113,574	3,742	6,188	4,087	3,504	5,449	3,908	1,830			
Three years later	106,662	4,655	7,374	3,303	2,572	2,978	2,710				
Four years later	111,055	6,798	6,366	2,808	1,283	2,288					
Five years later	107,677	7,191	6,031	2,178	1,346						
Six years later	106,384	7,100	5,716	2,975							
Seven years later	106,115	6,488	5,857								
Eight Years later	105,785	6,478									
Nine Years later	105,274										
Estimate of cumulative claims cost	105,274	6,478	5,857	2,975	1,346	2,288	2,710	1,830	1,614	1,845	132,217
Cumulative payments	105,234	6,471	4,159	2,073	1,268	2,061	1,922	986	195	8	124,377
Cumulative outstanding undiscounted	40	7	1,698	902	78	227	788	844	1,419	1,837	7,840
Discount	2	-	91	48	4	12	42	45	76	212	532
Claims Outstanding - Discounted	**38**	**7**	**1,607**	**854**	**74**	**215**	**746**	**799**	**1,343**	**1,625**	**7,308**
Short tail classes											69,566
Claims handling expenses											871
Risk margin											292
Total gross outstanding claims											**78,037**

15. OUTSTANDING CLAIMS (CONTINUED)

(e) Claims development table (continued)

Net

Accident year	2013 and Prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimated cumulative claims:	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
End of accident year	66,608	1,281	1,027	756	983	1,472	1,302	656	1	3	
One year later	72,287	2,542	2,264	1,866	1,945	1,752	992	595	143		
Two years later	69,132	351	697	624	894	795	356	317			
Three years later	67,719	451	958	708	920	576	497				
Four years later	67,606	407	872	656	862	643					
Five years later	67,294	401	808	634	906						
Six years later	66,675	397	766	640							
Seven years later	66,754	402	856								
Eight Years later	66,849	397									
Nine Years later	66,534										
Estimate of cumulative claims cost	66,534	397	856	640	906	643	497	317	143	3	70,936
Cumulative payments	66,512	392	758	628	854	567	348	276	142	8	70,485
Claims outstanding - undiscounted	22	5	98	12	52	76	149	41	1	(5)	451
Discount	3	1	14	2	8	11	22	6	-	-	67
Claims outstanding - discounted	19	4	84	10	44	65	127	35	1	(5)	384
Short tail classes											7,114
Claims handling expenses											697
Risk margin											292
Total net outstanding claims											**8,487**

16. UNEARNED PREMIUM LIABILITY

	2022 $000	2021 $000
Unearned premium liability as at 1 January	13,703	23,736
Deferral of premiums on contracts written in the period	29,567	26,333
Premiums earned during the year	(30,725)	(36,366)
Unearned premium liability as at 31 December	**12,545**	**13,703**

17. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor, its related practices and non-related audit firms.

	2022 $	2021 $
Audit of the financial statements	55,968	49,400
Taxation services	12,500	12,500
Total auditor's remuneration	**68,468**	**61,900**

18. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Key management personnel

Key management personnel are those who directly or indirectly have authority and responsibility for planning, directing and controlling the activities of the Company and the NZ Branch. This includes executive and non-executive directors as well as the senior management team.

(b) Transactions with key management personnel

	2022 $ NZD	2021 $ NZD
Short term employee benefits	9,703,832	9,855,340
Post employment benefits	326,955	381,656
Long term employee benefits	(23,341)	95,305
Share-based payments	2,725,279	3,331,889
Termination benefits	2,820	1,582,821
Total benefits paid, payable or otherwise provided by the Company to management companies in relation to the key management personnel	**12,735,545**	**15,247,011**

Remuneration for staff is paid by Allianz New Zealand Limited and Allianz Australia Services Pty Limited, subsidiaries of Allianz Australia Limited and recharged to relevant Group companies in accordance with a service agreement based on estimated time spent. Share-based payments relate to Restricted Stock Units for shares in the ultimate parent entity, Allianz SE.

(c) Loans and other transactions with key management personnel

The Company sold insurance to its key management personnel during the period within normal employee or customer relationships on terms and conditions no more favourable than those available on similar transactions to other employees or customers. Refer to Note 19 for related party transactions concerning Directors.

19. RELATED PARTY TRANSACTIONS

Allianz Australia Insurance Limited – New Zealand Branch is part of Allianz Australia Insurance Limited. The immediate parent entity of Allianz Australia Insurance Limited is Allianz Australia Limited and the ultimate parent entity of Allianz Australia Insurance Limited is Allianz SE, a company incorporated in Germany

The following types of transactions have arisen between the NZ Branch and entities within the Allianz SE Group:
(i) loans advances and repayments;
(ii) fees for funds management;
(iii) commissions;
(iv) outsourced services;
(v) reinsurance arrangements; and
(vi) equity compensation schemes.

Fees and charges between the NZ Branch and those entities in the Allianz SE Group are based on normal commercial terms and conditions.

The names of each person holding the position of Director of Allianz Australia Insurance Limited during or since the end of the reporting period are. D. Feledy, P.J. Dwyer, T.K.H Naumann, P.N.J Allaway, R.M. Hutchinson, J.F. McAloon, V.A. McFadden, C.G. Townsend (appointed 1 January 2022) and U. Lange (appointed as an alternate director 17 February 2022 and resigned 18 January 2023). T.K.H. Naumann, C.G. Townsend and U. Lange represent the shareholder, Allianz SE that resulted in them having significant influence over the financial and operating policies of the Company and NZ Branch.

19. RELATED PARTY TRANSACTIONS (CONTINUED)

Management fees paid to/(received from):	2022 $	2021 $
Allianz New Zealand Limited	264,563	167,325
PIMCO Australia Pty Limited	141	(870)

The terms and conditions of the transactions with Directors and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arms' length basis.

The NZ Branch underwrites policies of insurance sourced by other entities subject to common control which act as underwriting agencies and insurance brokers. Commission for these transactions is paid at commercial rates. The NZ Branch paid / (received) the following commissions to related parties during the year:

AWP Services New Zealand Limited	(168,383)	(289,254)
Primacy Underwriting Management Limited	(1,285)	(2,437)
Euler Hermes Trade Credit Underwriting Agency Pty Limited	2,119,121	1,921,098
Reinsurance premiums ceded	27,745,959	28,084,900
Reinsurance claims recoverable recovered/(paid)	25,927,592	(5,392,156)
Amounts due (to) / from related parties		
Head Office Account - Allianz Australia Insurance Limited	(28,127,896)	(44,608,068)
Allianz Australia Insurance Limited	(65,053,655)	(50,713,435)
Allianz New Zealand Limited	8,573,912	5,327,330
Club Marine Limited	(3,431,244)	(3,398,051)
Allianz Australia Services Pty Limited	(11,780,882)	(11,606,274)
AWP Services New Zealand Ltd	16,009,437	15,641,176
Net amount due to related parties	**(83,810,328)**	**(89,357,322)**

20. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2022 $000	2021 $000
(a) Cash reconciliation		
Cash and cash equivalents in the statement of cash flows	65,925	43,206

(b) Reconciliation of profit after income tax to net cash inflows from operating activities

	2022 $000	2021 $000
(Loss)/profit for the year	(2,952)	8,746
Non-cash movements:		
Unrealised (gain)/loss on revaluation	(1)	33
Expected credit loss recognised under NZ IFRS 9	1	-
Change in assets and liabilities:		
Decrease in trade and other receivables	4,736	11,757
Decrease in unearned premium	(1,158)	(10,033)
(Increase)/decrease in reinsurance and other recoveries	(13,290)	14,900
Increase in net deferred reinsurance commission	211	1,992
Decrease in deferred reinsurance premium	513	1,395
(Increase) in deferred tax assets	(828)	(585)
Increase/(decrease) in outstanding claims	6,125	(39,824)
Decrease/(increase) reinsurance premium payable	244	(5,384)
(Decrease)/increase in creditors and amounts owed to related companies	(13,909)	(86,452)
Decrease/(increase) in current tax asset	11	852
(Decrease)/increase in sundry payables	(1,950)	(2,652)
Increase in interest income receivable	-	156
Decrease in right-of-use assets	-	220
Net cash outflow from operating activities	**(22,247)**	**(104,879)**

21. CONTINGENT LIABILITIES

Directors of the NZ Branch are engaged in normal commercial disputes and actions, which individually are not considered material but which if taken together may have a material impact on the NZ Branch. The Directors, supported by appropriate professional and legal advice, consider the possibility of a material consequence to the Company, arising from these disputes or actions, to be remote.

The Directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.

22. EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Director’s Report or the financial statements that has significantly affected or may significantly affect the NZ Branch's operations, the results of those operations or the state of affairs in future financial periods.

Independent auditor's report

To the directors of Allianz Australia Insurance Limited

Our opinion

In our opinion, the accompanying financial statements of Allianz Australia Insurance Limited - New Zealand Branch (the Branch), present fairly, in all material respects, the financial position of the Branch as at 31 December 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 Branch's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in head office account for the year then ended;
- the statement of cashflows 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 Branch 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 *International Code of Ethics for Professional Accountants (including International Independence Standards)* issues by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Our audit approach

Overview

Overall materiality: $2.0 million, which represents approximately 1% of total assets.

We chose total assets as the benchmark because, in our view, given the Branch is primarily in run off, it is the benchmark that is most appropriate for the requirements of the users and is a generally accepted benchmark. The 1% threshold is based on our professional judgement, noting that it is also within the range of commonly accepted asset-related thresholds.

We have determined that there is one key audit matter and we have communicated this to the Directors of Allianz Australia Insurance Limited:

- Valuation of Outstanding Claims Liability

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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance 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.

Audit scope

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 Branch, the accounting processes and controls, and the industry in which the Branch operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Valuation of Outstanding Claims Liability *Refer to note 15 (2022: $78.0m, 2021: $71.9m)* We considered the valuation of the outstanding claims liability a key audit matter because of the complexity involved in the estimation process, the significant judgements that the Branch made in determining the balance and the inherent uncertainty in estimating the expected future payments for claims incurred, including those not yet reported. The liability for outstanding claims involves estimating the expected present value of future payments for claims incurred during the year or in prior periods. The liability for outstanding claims is estimated by the Appointed Actuary as a central estimate but, as is the case with any accounting estimate, there is a risk that the ultimate claims paid will differ from the initial estimates. A risk margin is therefore applied to reflect the uncertainty in the estimate. *Gross discounted central estimate* Valuation of the liability involves complex and subjective judgements on a number of areas, including: • Future events, internal and external to the business, for which small changes in assumptions can result in material impacts on the estimate • Estimation of payments for claims incurred but not reported at the reporting date given there is generally less clarity on this information • Estimation of the period over which claims are expected to settle, impacting the estimation of expected future payments. *Risk margins* A risk margin, relating to the inherent uncertainty in the estimation of the present value of expected future payments, is determined by making judgements on the variability of the cash flows in each portfolio as well as allowing for diversification between them. The Branch will consider the Probability of Sufficiency in determining the appropriate risk margin. Probability of Sufficiency is a measure of the estimated overall sufficiency of reserves including a risk margin in light of that variability.	Our audit included evaluating the design of the relevant key controls and assessing whether a sample of these controls operated effectively throughout the year including the reconciliation of data inputs to both the General Ledger and historical data. We tested historical claims, a key input into the actuarial estimates, by selecting a sample of claims case estimates and settlements and agreeing them to underlying documentation. To evaluate the methodologies and assumptions utilised, together with PwC actuarial experts, we developed an understanding of the actuarial practices used to determine the gross discounted central estimate and risk margin. This included: • Evaluating whether the actuarial methodologies were consistent with industry practice and prior years. • Assessing significant actuarial assumptions, including claims ratios and relevant economic factors by comparing them with our expectations based on experience, current trends and industry benchmarks. • Testing the discount applied. This included comparing the discount rates applied to external market data and the payment patterns to historical information. • Assessing the approach to setting the risk margin in light of the requirements of NZ IFRS and IFRS.

Other information

The Directors of Allianz Australia Insurance Limited are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of management and the Directors for the financial statements

Management is responsible, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as Management determines 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, Management is responsible for assessing the Branch'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 Management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

The Directors of Allianz Australia Insurance Limited are responsible for overseeing the Branch's financial reporting process.

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/standards-for-assurance-practitioners/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 Directors of Allianz Australia Insurance Limited. 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 to the Branch and the Directors of Allianz Australia Insurance Limited 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 Scott Hadfield.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
27 March 2023

Sydney

I, Scott Hadfield, am currently a member of CA ANZ and my membership number is 276681. PricewaterhouseCoopers was the audit firm appointed to undertake the audit of Allianz Australia Insurance Limited – New Zealand Branch for the year ended 31 December 2022. I was responsible for the execution of the audit and delivery of our firm's auditor's report. The audit work was completed on 27 March 2023 and an unqualified opinion was issued.

Strictly Confidential

Board Paper

Allianz

Allianz Australia Insurance Limited (NZ Branch)

Meeting Date:	27 March 2022		
Division:	Finance	For Approval	☐
Submitted By:	Timothy Clark	For Discussion	☐
Reviewed By:	Deborah Ha	For Noting	☒
SUBJECT:	**AAIL (NZ Branch) Appointed Actuary Report at 31 December 2022**		

1. PURPOSE

I have prepared this Appointed Actuary report as at 31 December 2022 for the Board of Allianz Australia Insurance Limited (AAIL) in my capacity as Appointed Actuary to AAIL. I am in the process of applying to becoming the Appointed Actuary of the AAIL NZ branch.

This report is required under Section 77 of the New Zealand Insurance (Prudential Supervision) Act 2010, under which each insurer must *"ensure that the actuarial information contained in, or used in the preparation of, the financial statements of the insurer.... is reviewed by the appointed actuary"*.

This report has been prepared to comply with Section 78 of the New Zealand Insurance (Prudential Supervision) Act 2010, which outlines the key requirements of the Appointed Actuary Review. As per instructions from the Reserve Bank of New Zealand (RBNZ), this report is not intended to comprise an Insurance Liability Valuation Report for AAIL. As such, it does not comply with the relevant requirements outlined in PS 30 issued by the New Zealand Society of Actuaries.

2. SUPPORTING ANALYSES

As Appointed Actuary to AAIL, I am responsible for the preparation of actuarial information which feeds into the AAIL financial statements. The actuarial information provided to support the 31 December 2022 financial statements ("Financial Statements") is the result of the following work performed by the Finance Actuarial team:

- A full analysis of outstanding claims for AAIL using data as at 30 September 2022;
- A roll forward of the 30 September 2022 full valuation outstanding claims estimates to 31 December 2022;
- A full analysis of premium liabilities as at 31 December 2022.

These are documented in the report "Allianz Australia Actuarial Valuation Report – December 2022".

3. WORK UNDERTAKEN FOR THIS REVIEW

In preparing this report, I have reconciled the actuarial items shown in the Financial Statements against information provided by my team resulting from the actuarial analysis described above. The Financial Control team assisted in my review of the Financial Statements by preparing a full reconciliation (including an email trail) between information provided by my team and its subsequent inclusion in the Financial Statements.

In addition, my team has performed a review of the 31 December 2022 Allianz Australia Insurance Limited APRA return to ensure that the actuarial information had been correctly reflected in that return and that the solvency calculations did not appear unreasonable. This includes (in accordance with paragraph 4.1.1 of AAILNZ's License to Carry on Insurance Business in New Zealand) the unearned premium liability and the liability adequacy test, the net outstanding claims liability, reinsurance and any other recovery assets and any deferred acquisition cost or deferred revenue fee (Solvency Standard Actuarial Information).

4. ACCESS TO INFORMATION, RESTRICTIONS / LIMITATIONS

In my capacity as Appointed Actuary, I already have direct access to all information required for the review required. Where I have requested additional information, this has been provided. No restrictions or limitations were placed upon me in the provision of this report.

5. STATEMENT OF RELATIONSHIP

I am the Appointed Actuary for AAILNZ. I am also the Group Actuary for Allianz Australia Limited, the parent company of AAIL. As a senior officer at Allianz, I participate in the Allianz Australia Limited performance incentive scheme. These are my only interests with respect to AAILNZ.

6. OPINION

I have reviewed the Financial Statements, the calculation of the APRA Prescribed Capital Requirement and the actuarial information (as defined in section 77(4) of the Insurance (Prudential Supervision) Act 2010, including the Solvency Standard Actuarial Information ("Actuarial Information"). In my opinion:

- 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; and
- AAIL is maintaining as at the balance date, the solvency margin that applies under the condition imposed under section 21(2)(b) of the New Zealand Insurance (Prudential Supervision) Act 2010.

7. RECOMMENDATION

It is recommended that the Board consider and note the information in this paper.

Tim Clark

Prepared by:
Timothy Clark FIAA, FCAS, CERA
11 March 2023