



Section 78 (IPSA) Appointed Actuary's Report – 31 December 2022

Helia Insurance Pty Ltd

28 February 2023



Helia Insurance Pty. Ltd.
Sydney

28 February 2023

Mr Michael Cant
Chief Financial Officer
Helia Insurance Limited
Level 26, 101 Miller Street
NORTH SYDNEY NSW 2060

Dear Michael

Section 78 (IPSA) Appointed Actuary's Report – 31 December 2022

Please find enclosed my Section 78 Appointed Actuary report for the 31 December 2022 financial statements.

The report should be considered in conjunction with the Helia Insurance Pty Limited (Helia) 31 December 2022 Insurance Liabilities Valuation Report and Financial Condition Report.

I understand that Helia is required to provide a copy of the Section 78 Appointed Actuary report to the Reserve Bank of New Zealand (RBNZ). Permission is hereby granted for such distribution on the condition that the entire report, rather than any excerpt, be distributed.

Yours sincerely

Conor O'Dowd FIA FIAA
Appointed Actuary, Helia Insurance Pty. Ltd.

1. Introduction and Scope

1.1 Background

The purpose of this report is to fulfil the regulatory requirement for New Zealand ('NZ') insurers to obtain from their Appointed Actuary a report that provides a review of the Actuarial Information that is contained in, or used in the preparation of, the financial statements. This requirement is outlined in Section 78 of the Insurance (Prudential Supervision) Act 2010 ('IPSA').

This report has been prepared by Conor O'Dowd, the Appointed Actuary for Helia Insurance Pty. Ltd. (Helia) and the New Zealand Branch from 1 January 2018.

We recommend this report be read in conjunction with the Appointed Actuary's 31 December 2022 Financial Condition Report (FCR) and Actuarial Valuation Report (AVR), specifically:

- Financial Condition Report as at 31 December 2022 – Helia Insurance Limited, dated 28 February 2023, and
- Actuarial Valuation Report as at 31 December 2022 – Helia Insurance Limited, dated 7 February 2023.

1.2 Actuarial Information

'Actuarial Information' is defined as

- Information relating to an insurer's calculations of premiums, claims, reserves, dividends, insurance and annuity rates and technical provisions; and
- Information relating to assessments of the probability of uncertain future events occurring and the financial implications for the insurer if those events do occur; and

On 12 December 2022 RBNZ directed that in relation to Helia's exemption to Section 59 of IPSA (Solvency Standard) Actuarial Information is defined as the following information relating to the NZ Branch:

- i. the unearned premium liability and the liability adequacy test;
- ii. the Net Outstanding Claims Liability;
- iii. the reinsurance and any other recovery asset(s);
- iv. any deferred acquisition cost or deferred fee revenue; and
- v. any other information deemed by the appointed actuary to warrant actuarial review for the purpose of profit or solvency reporting.

1.3 Scope of work

The scope of work undertaken in preparing this report is as follows:

- to confirm that material entries in the 2022 financial statements that could reasonably be deemed to be Actuarial Information (as defined above) are accurate and appropriately represented in the financial statements

in relation to Helia and (separately) the NZ Branch of Helia.

No limitations were placed on me in carrying out this work and I received all information and data requested.

2. Declaration of interest in Helia

I, Conor O'Dowd, am an employee of Helia Insurance Pty Ltd (Helia). I own and am entitled to shares in Helia Group Limited, an Australian listed parent company of Helia, derived from participation in Helia Group's incentive plans in the normal course of my employment. I have no other interests in Helia.

3. Opinion on Actuarial Information included in financial statements

3.1 Helia

I reviewed the following items in the 31 December 2022 Helia Annual Financial Report:

- The Statement of Financial Position (the balance sheet),
- The Statement of Comprehensive Income (the profit and loss), and
- All commentary in the notes to the financial statements.

I could find no instances where:

- The representation of Actuarial Information was inappropriate,
- The values of key financial quantities in the financial statements were different to recommendations made in actuarial reports prepared by Helia's Appointed Actuary, or
- The data used by the Appointed Actuary's work was incomplete or inappropriate.

3.2 NZ Branch

I reviewed the following items in the 31 December 2022 Helia New Zealand Branch Annual Financial Reports:

- The Statement of Financial Position (the balance sheet),
- The Statement of Comprehensive Income (the profit and loss), and
- All commentary in the notes to the NZ branch accounts.

I could find no instances where:

- The representation of Actuarial Information was inappropriate,
- The values of key financial quantities in the financial statements were different to recommendations made in actuarial reports prepared by Helia's Appointed Actuary, or
- The data used by the Appointed Actuary's work was incomplete or inappropriate.

In relation to the specific information for Section 59 exemption relating to the NZ Branch (as set out in the Introduction) I advise that the information contained in the NZ Branch accounts relating to that information is accurate, and supported by the AVR referred to above. I note specifically that:

- There is no liability adequacy test deficiency,
- There is no reinsurance recovery asset, and

- There is no asset in respect of deferred acquisition cost or deferred fee revenue.

4. Opinion on solvency margin

Helia's New Zealand license conditions as modified by the RBNZ on the 22 December 2022 provide an exemption from providing a separate Financial Condition Report for the New Zealand branch. The exemption is provided as long as Helia continues to meet the equivalent Australian solvency requirements and that the Helia Financial Condition Report is provided to RBNZ.

The exemptions were notified under s59 of IPSA (**Section 59 Exemption Notice**), exempting Helia Insurance from compliance with the terms of the Solvency Standard subject to its compliance with modified conditions, including complying with certain requirements specified in the attachment to the Section 59 Exemption Notice. An extract from this Attachment addresses obligations of the Appointed Actuary and is reproduced at Appendix A to this report.

The solvency of the New Zealand branch is entirely dependent on the solvency of Helia's Australian operations, and the New Zealand branch is not in itself required to hold minimum capital. As such, provision of the Helia Financial Condition Report as at 31 December 2022 is sufficient to meet the conditions in paragraphs 19 to 23 of the Attachment.

I can confirm that Helia held admissible capital in accordance with the Australian Prudential Regulation Authority ('APRA') requirements as at 31 December 2022.

Full details of the solvency position of Helia (including the NZ branch) are included in Helia's Financial Condition Report as at 31 December 2022.

5. Reliance and Limitations

5.1 Reliance

In an email from the Reserve Bank of New Zealand ('RBNZ') to the Helia Legal Team, dated 30 May 2014, the RBNZ state that the NZ Appointed Actuary can rely upon the work of the Australian Appointed Actuary in preparing the section 78 report in respect of Helia.

I have relied on historical data and other quantitative and qualitative information provided by, or on behalf of, Helia. I have reviewed the data and information for reasonableness, consistency, and appropriateness but I have not undertaken independent verification of the data. The accuracy of my comments, conclusions and results are dependent upon the accuracy of the underlying data and other quantitative and qualitative information received.

This report and the results, opinions and conclusions herein contained are presented as at the date of the report set out in the covering letter. They may be rendered inaccurate by developments after this date.

5.2 Distribution and Use

This report is being provided solely to Helia for the purposes stated in Section 1. It is not intended, nor necessarily suitable, for any other purpose. This report should only be relied on by Helia for the purpose for which it is intended.

I understand that Helia is required to provide a copy of the report to the RBNZ. Permission is hereby granted for such distribution on the condition that the entire report, rather than any excerpt, be distributed.

Third parties, whether authorised or not to receive this report, should recognise that the furnishing of this report is not a substitute for their own due diligence and should place no reliance on this report or the data contained herein which would result in the creation of any duty or liability by Helia to the third party.

I have prepared this report in conformity with its intended use by persons technically competent in insurance financial matters. Judgements as to the conclusions drawn in this report should be made only after considering the report in its entirety.

Appendix A RBNZ Requirements in respect of the period to 31 December 2022

A1. Section 59 exemption Solvency Standard for Non-Life Insurance Business 2014

Note: Numbering in this Appendix is as per RBNZ letter to Helia dated 12 December 2022. This Appendix is an extract from that letter.

Obligations of the appointed actuary

Reference / Comment

Financial statements

13. Section 77 of the Act requires that the licensed insurer ensure that actuarial financial information contained in, or used in the preparation of, the financial statements or group financial statements required to be registered or lodged under any Act is reviewed by the appointed actuary. Section 77(4)(c) allows the Reserve Bank to specify, within a solvency standard, information that is actuarial information in addition to that specified in the Act. For the purposes of this exemption, the specified actuarial information is:
 - vi. the unearned premium liability and the liability adequacy test; Confirmed
 - vii. the Net Outstanding Claims Liability; Confirmed
 - viii. the reinsurance and any other recovery asset(s); None
 - ix. any deferred acquisition cost or deferred fee revenue; and None
 - x. any other information deemed by the appointed actuary to warrant actuarial review for the purpose of profit or solvency reporting. Confirmed
14. The above items apply to the review of actuarial information contained in or used in preparation of the New Zealand branch financial statements of the licensed insurer. Where a review required under section 77 of the Act relates to other financial statements or group financial statements of the licensed insurer the terms should be interpreted to refer to appropriate equivalents. Confirmed
15. If it is a licensed insurer's established policy to seek the advice of the appointed actuary in respect of part or all of this information and to always adopt that advice in its financial statements or group financial statements, then the advice from the appointed actuary to the licensed insurer satisfies the review requirements. Confirmed
16. In other circumstances the appointed actuary must undertake whatever additional work is necessary in order to complete the review. n/a

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| 17. In completing any such review the appointed actuary may need to utilise the skills and experience of other experts in accordance with paragraph 22. In particular, the New Zealand appointed actuary may rely on the work of the home jurisdiction equivalent to the appointed actuary relating to matters other than the insurance business carried on in New Zealand, or to financial statements or group financial statements other than the New Zealand branch financial statements. | n/a |
| 18. The results of the appointed actuary's review must be documented in a report that meets the requirements of section 78 of the Act, for each set of financial statements or group financial statements required to be registered or lodged under any New Zealand Act. | See AVR (Helia Insurance) and this report (NZ Branch) |

Financial Condition Report

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| 19. The appointed actuary must prepare a Financial Condition Report which must: | |
| i. identify and describe the Material risks (of which it is reasonable to expect the appointed actuary to be aware) facing a licensed insurer, that in the appointed actuary's opinion, pose a threat to the licensed insurer's ability to meet home jurisdiction solvency requirements now or in the future, and where practicable quantify such risks; | Confirmed – see FCR |
| ii. comment on the steps taken or proposed to be taken by the licensed insurer to address the risks identified in i; | n/a |
| iii. comment separately on the New Zealand business, these comments can be in line with any home jurisdiction requirements for Financial Condition Reports; and | See Appendix C of FCR |
| iv. advise the licensed insurer on whether, in the appointed actuary's opinion, the licensed insurer needs to consider reporting to the Reserve Bank under paragraphs 10 to 12, taking account of the licensed insurer's forward-looking assessment of Regulatory Solvency and the appointed actuary's assessment of the licensed insurer's business plans, its enterprise risk management practices and the external environment. | n/a |
| 20. Where a Financial Condition Report or similar report is not otherwise required or prepared under the legal or regulatory requirements of the licensed insurer's home jurisdiction, a Financial Condition Report on the New Zealand branch will be accepted provided that report contains an overview of the financial condition of the licensed insurer. | n/a |
| 21. The appointed actuary in the Financial Condition Report must also comment on: | |
| i. the solvency position of the licensed insurer if a catastrophe or extreme event, as outlined in the Catastrophe Risk Capital Charge | FCR (Section 9.3) |

section of the Non-Life Solvency Standard, were to occur in New Zealand; and

- ii. any difference in the financial condition of the New Zealand branch in comparison with the licensed insurer as a whole, which might have implications if the two were separated as a result of regulatory action or liquidation. No difference

22. The appointed actuary may need to deal with issues that are not within the skills and experience of the appointed actuary. In this situation, the appointed actuary will need to utilise the skills and experience of others and may rely on other relevant experts, provided that reliance is appropriate and adequate disclosure is included on the nature of that reliance. n/a

Actuarial professional standards

23. The appointed actuary must ensure that all actuarial work carried out in connection with this exemption is carried out in accordance with relevant actuarial professional standards to the extent that those standards are not inconsistent with the requirements of this exemption notice, the licensed insurer's conditions of licence or other legislative or regulatory requirements. Confirmed