The New India Assurance Company Limited - New Zealand Branch

Annual report 2023

Report contents

Directors' declaration

In the opinion of the Directors of The New India Assurance Company Limited ('the Company') the financial statements and notes, on pages 3 to 25:

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Company as at 31 March 2023 and the result of operations for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the annual report including the financial statements of The New India Assurance Company Limited - New Zealand Branch for the year ended 31 March 2023.

The results of operations for the year and the state of affairs of the Company, as reported in the financial statements, were as expected by the Directors.

The Directors had no interests in contracts with the Branch except as disclosed in note 22.

The Directors do not receive any remuneration from the Branch.

One employee received remuneration and other benefits of between $150,000 - $160,000.

One employee received remuneration and other benefits of between $190,000 - $200,000.

Donations amounting to $250 were made by the Branch during the year.

The Auditor's remuneration from the Branch is as disclosed at Note 7.

Date: 21/07/2023

Date: 21/07/2023

Directory

Incorporation number	1489374
Principal activities	General insurance. There have been no changes in the main activities of the Company during the year.
Registered office	Level 5 63 Albert Street Auckland 1030 New Zealand
Directors	S.P. Rajeev Aerathu S.K. Agarwal R.K. Das M. Balodhi N. Kapur (appointed 12 September 2022) A. Devi (appointed 24 March 2023) T.F. Maliakkel (appointed 17 April 2023) S. Srivastava (appointed 17 April 2023) M. Bhaskar (resigned 12 September 2022) A.K. Longani (resigned 31 January 2023) Y.K. Shimray (resigned 31 March 2023) S. Koushik (resigned 25 May 2022) V. Kaul (resigned 4 April 2022)
Auditor	Baker Tilly Staples Rodway Auckland

Statement of comprehensive income

For the year ended 31 March 2023
in New Zealand dollars

	Note	2023 $	2022 $
Gross earned premium revenue	6	34,847,371	29,772,243
Outwards reinsurance premium expense	22	(25,480,248)	(8,503,681)
Net premium revenue		**9,367,123**	**21,268,562**
Claims expense		(61,234,994)	(264,847)
Reinsurance and other recoveries revenue/(expense)	6	41,928,256	(2,876,385)
Net claims incurred		**(19,306,738)**	**(3,141,232)**
Acquisition costs		(1,008,608)	(1,044,440)
Other expenses	7	(1,338,918)	(1,274,055)
Underwriting expense		**(2,347,526)**	**(2,318,495)**
Underwriting (loss)/profit		**(12,287,141)**	**15,808,835**
Investment income	8	2,907,286	1,684,395
Interest on lease liabilities		(21,638)	(26,122)
(Loss)/profit before income tax		**(9,401,493)**	**17,467,108**
Income tax benefit/(expense)	9	1,763,305	(5,297,017)
(Loss)/profit for the year		**(7,638,188)**	**12,170,091**
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive (loss)/income for the year		**(7,638,188)**	**12,170,091**

Statement of financial position

As at 31 March 2023
in New Zealand dollars

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents		504,958	1,331,441
Outstanding premiums and other receivables	12	7,221,512	6,183,608
Prepayments - reinsurance premium		2,313,130	2,134,407
Investments	11	70,840,040	48,138,631
Income tax receivable	9	3,964,346	-
Deferred acquisition costs	13	493,438	551,581
Total current assets		**85,337,424**	**58,339,668**
Non-current assets			
Property, plant and equipment		8,280	15,747
Right of use assets	10	358,604	339,430
Investments	11	51,026,143	59,789,543
Deferred tax asset	9	2,071,882	-
Total non-current assets		**53,464,909**	**60,144,720**
Total assets		**138,802,333**	**118,484,388**
Liabilities			
Current liabilities			
Trade and other payables	14	791,400	1,489,314
Outstanding claim provisions	15	61,368,364	16,301,739
Lease liabilities	10	95,357	53,910
Income tax payable	9	-	1,366,779
Unearned premium reserve	18	16,068,629	14,628,512
Total current liabilities		**78,323,750**	**33,840,254**
Non-current liabilities			
Lease liabilities	10	292,550	309,701
Deferred tax liability	9	-	350,307
Total non-current liabilities		292,550	660,008
Total liabilities		**78,616,300**	**34,500,262**
Equity			
Retained earnings		41,730,923	49,369,111
Head office account	22	18,455,110	34,615,015
Total equity		**60,186,033**	**83,984,126**
Total liabilities and equity		**138,802,333**	**118,484,388**

Director
Date: 21/07/2023

Director
Date: 21/07/2023

Statement of changes in equity

For the year ended 31 March 2023
in New Zealand dollars

		Head office	Retained earnings	Total
		$	$	$
Balance at 1 April 2022		34,615,015	49,369,111	83,984,126
Total comprehensive expense for the year				
(Loss)/profit for the year		-	(7,638,188)	(7,638,188)
Other comprehensive income/(expense)		-	-	-
Net movement in Head Office Account	22	(16,159,905)	-	(16,159,905)
Total comprehensive expense for the year		(16,159,905)	(7,638,188)	(23,798,093)
Balance at 31 March 2023		18,455,110	41,730,923	60,186,033
Balance at 1 April 2021		22,403,290	37,199,020	59,602,310
Total comprehensive income for the year				
Profit/(loss) for the year		-	12,170,091	12,170,091
Other comprehensive income/(expense)		-	-	-
Net movement in Head Office Account	22	12,211,725	-	12,211,725
Total comprehensive income for the year		12,211,725	12,170,091	24,381,816
Balance at 31 March 2022		34,615,015	49,369,111	83,984,126

This statement is to be read in conjunction with the notes to the financial statements

Statement of cash flows

For the year ended 31 March 2023
in New Zealand dollars

	Note	2023 $	2022 $
Cash flows from operating activities			
Premiums received		35,131,019	30,693,677
Reinsurance and other recoveries received		354,851	51,032
Interest received		2,793,568	1,709,530
Interest paid		(21,638)	(26,122)
Claims paid		(16,168,369)	(22,023,873)
Acquisition expenses paid		(950,465)	(998,826)
Other underwriting expenses paid		(1,961,883)	(847,076)
Income tax (paid)/received		(5,990,008)	432,200
Net cash from operating activities	20	13,187,075	8,990,542
Cash flows from investing activities			
Investment in term deposits at banking institutes		(13,938,009)	(8,511,601)
Net cash used in investing activities		(13,938,009)	(8,511,601)
Cash flows from financing activities			
Payment of lease liabilities		(75,549)	(87,227)
Net cash used in financing activities		(75,549)	(87,227)
Net (decrease)/increase		(826,483)	391,714
Opening cash and cash equivalents 1 April		1,331,441	939,727
Closing cash and cash equivalents 31 March		504,958	1,331,441

Notes to the financial statements

1 Reporting entity

The financial statements are for the New Zealand branch of The New India Assurance Company Limited (the "Company"). The Company is a Branch of The New India Assurance Company Limited, a company incorporated in India and an overseas company registered under the Companies Act 1993. The Company holds a license to issue general insurance products in New Zealand, and as such is a FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of that Act and the Financial Reporting Act 2013.

The Company is a for-profit reporting entity.

The Company provides general insurance services directly to other entities.

The financial statements presented are for The New India Assurance Company Limited as at and for the year ended 31 March 2023. The financial statements were authorised for issue by the Directors on date included on page 1.

2 Basis of preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. The financial statements comply with International Financial Reporting Standards (IFRS).

The financial statements are presented in New Zealand dollars ($). This is the Company's functional and presentation currency. All amounts are rounded to the nearest dollar.

Except as described below, all accounting policies set out below have been consistently applied to all periods presented in these financial statements. Where applicable, certain comparatives have been restated to comply with the accounting presentation adopted in the current year to ensure consistency with the current year classification.

Basis of measurement

The financial statements have been prepared on the historical cost basis, as modified by certain exceptions as described in the accounting policies below.

In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. It is possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed where applicable in the relevant notes to the financial statements.

Key sources of estimation uncertainty

The key area of estimation uncertainty for the Branch is in its estimation of reinsurance recoveries.

Significant events and transactions

During the months of January and February 2023, Auckland and Hawkes Bay were impacted by severe weather events which has resulted in a significant increase in claims expense, outwards reinsurance premium expense, reinsurance recoveries and outstanding claims provisions.

Notes to the financial statements (continued)

2 Basis of preparation (continued)

The ultimate liability arising from claims made under insurance contracts

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the end of the reporting period, including the cost of claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) to the Branch.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of IBNR and IBNER is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Branch, where more information about the claim event is generally available. In calculating the estimated cost of unpaid claims the Branch uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- change in economic environment
- changes in the mix of business
- changes in claim management practice

Provisions are calculated gross of all recoveries.

The methods used to analyse past claims experience and to project future claims experience are largely determined by the available data and the nature and maturity of the portfolio.

The determination of an appropriate outstanding claims liability and the specific assumptions used are detailed in note 3.

Principles of general insurance

An insurance contract is defined as a contract under which one party (the insurer) accepts significant risk from another party (the policy holder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The insurance activities of the Branch all arise from general insurance contracts.

Reinsurance recoveries

Reinsurance recoveries are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, reinsurance recoveries are measured at cost less impairment. A reinsurance asset is impaired if there is objective evidence as a result of an event that occurred after initial recognition of the asset that the amounts due may not be received and the amount can be reliably measured. An impairment is recognised in the profit and loss.

Reinsurance programme

Reinsurance is purchased to make the Branch's results less volatile by reducing the effect that individual large claims and catastrophic events leading to multiple claims have on results.

The experience based model has been adopted while purchasing catastrophic reinsurance cover.

The majority of reinsurance has been arranged on excess of loss treaty basis and facultative cover is used where certain risks are falling outside the limits provided under excess of loss treaty to ensure complete financial protection.

Assets Backing General Insurance Liabilities

The Company maintains its investment portfolio to ensure that investments are part of the current assets available to meet its insurance liabilities as they become due and payable.

Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits with maturities of 3 months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short term commitments.

Cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as financial assets.

Goods and services tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

Equity Retention

It is the policy of the directors to ensure that equity retained provides an adequate level of solvency when measured against capital requirements to support the assets of the Branch. The Branch equity in form of a Head Office Account represents funding provided by the Head office together with accumulated retained earnings, repayable at the discretion of the Branch which is the amount retained for the purpose of financial soundness.

Notes to the financial statements (continued)

2 Basis of preparation (continued)

New accounting standards and interpretations

The Company has not early adopted any new standards or interpretations.

Significant accounting standards adopted during the year that are first operative

There were no accounting standards which are first operative adopted during the year.

Standards issued but not yet effective

The Company will adopt the following new and revised standards when they become mandatory:

Standards	Effective for periods beginning
NZ IFRS 17 *Insurance Contracts*	1 January 2023
NZ IFRS 9 *Financial Instruments*	1 January 2023

NZ IFRS 9 Financial Instruments

NZ IFRS 9 was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. This standard became effective for periods beginning on or after 1 January 2018. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. As the Branch's activities are predominantly connected with insurance contracts within the scope of IFRS 4, the Branch qualifies for the temporary exemption outlined in NZIFRS 4.20A-20B to defer the application of IFRS 9 until 1 April 2023. The Branch expects that the measurement bases of the Branch's financial assets and liabilities under NZ IAS 39 and NZ IFRS 9 will have no material impact on the financial statements.

New and revised NZ IFRSs on issue but not yet effective

NZ IFRS 17 Insurance Contracts

NZ IFRS 17 is applicable for annual reporting periods beginning on or after 1 January 2023. The date of initial adoption for the Company will be 1 April 2023.

NZ IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts, and supersedes NZ IFRS 4 Insurance Contracts. NZ IFRS 17 outlines a general model, which is modified for insurance contracts with discretionary participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The Company expects to use the premium allocation approach for all groups of insurance contracts.

Use of the premium allocation approach means that there are limited differences in the actuarial calculations compared to calculations under NZ IFRS4. Under the premium allocation approach there is no change to the unearned premium reserve, or deferred acquisition costs since these continue to be recognised on a straight-line basis over the term of the policy.

The two key changes expected on the adoption of NZ IFRS 17 are:

1. Grouping of contracts

IFRS17 allows grouping of insurance contracts with a similar risk profile, provided they are not 'onerous', do not differ in term by more than one year and are administered on the same platform. For the purpose of this analysis, there are no material contracts with a duration of more than one year. No contracts are expected to be 'onerous' at inception, or unable to give rise to a loss, so no separation of contracts have been made on this basis. The Company's actuaries have valued each risk type separately using the same actuarial methodology as in previous valuations (i.e. the PPCI method).

Under NZ IFRS 4, all contracts have been valued together and liabilities have been allocated based on current claims reserves. Valuing separately by risk type means that there are differences in the assumptions for future claim number (IBNR) and cost development factors compared to the NZ IFRS 4 valuation.

Notes to the financial statements (continued)

2 Basis of preparation (continued)

2. Incorporation of a risk adjustment for non-financial risk
Inclusion of an adjustment for "non-financial risk" in the reserves is required under NZ IFRS17. This relates to the compensation required for risks such as insurance risk, lapse risk and expense risk.

Historically, the Company's actuaries have made no explicit allowance for non-financial risk in the reserves, but there has been a general prudential margin designed to provide 75% confidence that the reserves are sufficient to meet future claims obligations.
NZ IFRS 17 does not specify the methodology for calculating or applying the adjustment for non-financial risk. The actuaries have calculated a margin for non-financial risk by:

- Analysing the average historic expense ratio from recent years;
- Calculating the mean and standard deviation of these historic expense ratios; and
- Assumed that expenses follow a normal distribution, and calculated the additional margin which would result in a 75% confidence that expenses are sufficient.

This implies a margin for non-financial risk of around 4.5% of gross earned premium.

The Company estimates that on adoption of NZ IFRS 17, the impact of these changes (before tax) is an increase in total liabilities and reduction in total equity of $2.1 million at 31 March 2023 and $2.0 million at 31 March 2022.
NZ IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. The Company expects to use the retrospective approach on initial application of NZ IFRS 17.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Impairment

The carrying amounts of the Company's non-financial assets (property, plant and equipment and right of use assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 Actuarial assumptions and methods

The actuary who carried out the valuation of the claims reserving of the Branch is Simon Ferry from the actuarial team at Aon New Zealand. The Branch has appointed Simon Ferry to act as the Appointed Actuary.

Report Date: 13 July 2023

Qualification: Fellow of the New Zealand Society of Actuaries

The report relied on historical data and other qualitative and quantitative information provided by The New India Assurance Company Limited - New Zealand Branch. The actuary also reconciled the business data to the financial data in which the overall result is acceptable.

Notes to the financial statements (continued)

Unexpired risk liability

The unearned premium liability was found to be adequate as at 31 March 2023.

The probability of sufficiency (POS) adopted in performing the liability adequacy test (LAT) is set at the 75th percentile (2022: 75th percentile) which is the same as that adopted in determining the outstanding claims liability (OCL).

The POS for OCL is set at a level that is appropriate to cover the Branch's claims obligations after having regard to the prevailing market environment and prudent industry practice.

Being a test of adequacy, the POS for LAT is set to highlight deficiencies in product pricing following an analysis of the Branch's profit margins for the last two financial years.

Assumptions

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

	2023	2022
Inflation rate	4.17%	3.21%
Discount rate	3.07%	3.47%
Discounted mean term (years)	2	2
Claim handling expense ratio	0.70%	3.00%
Risk margin	15.00%	15.00%

Processes Used to Determine Assumptions

The valuation of outstanding claims liabilities included in the Appointed Actuary report are calculated using the Chain Ladder Method and the Payments Per Claim Incurred Method. The Chain Ladder Method computes incurred but not reported (IBNR) losses by way of run-off triangles, a probabilistic binomial tree that contains losses for the current year as well as premiums and prior loss estimators. The Payments Per Claim Incurred Method assumes that after adjusting for the total number of claims in the accident period, from accident period to accident period the average amount paid is consistent for each development point in time.

In the development of Claim Payment Patterns and projecting claim payment liabilities the following economic assumptions have been made:

Inflation Rate

Pre valuation date claim inflation has been taken as movements in CPI. Post valuation date claim inflation has been taken as 4.17% per annum. Most claims are of a short to medium term duration.

Discount Rate

The discount rate used is 3.07% per annum. This is approximately the average gross yield on Government Bonds of short to medium term durations consistent with the duration of the liabilities.

Claims Handling Expenses

The Branch is responsible for the on-going management of all claims incurred on or before 31 March 2023. To reflect this expense, an allowance is included in the central estimate of the outstanding claims liability.

Risk Margin

A risk margin at a 75% level of sufficiency has been used to determine the outstanding claims liability at 31 March 2023 (2022: 75%). The risk margin reflects the predominantly short tail nature of the business.

Sensitivity Analysis

The Outstanding Claims Liability provision has been estimated by the Appointed Actuary taking into consideration overall past claims experience and case estimates information provided by the management of the Branch. A 10% increase in Claims Expense ratio, from 0.7% to 0.8%, will result in a 0.1% increase ($43,000) in Outstanding Claims Liability, decreasing the reported profit and equity by the same amount. Likewise a 10% increase in Risk Margin, from 15% to 16.5%, will result in a 1.3% increase ($774,900) in Outstanding Claims Liability , decreasing profit and equity by the same amount.

Refer notes 16 and 17 for further details of the development of claims and concentration of risk.

Notes to the financial statements (continued)

3 Actuarial assumptions and methods (continued)

Solvency

As at 31 March 2023, The New India Assurance Company Limited had an audited Solvency Ratio (Total Available Solvency Margin/ Total Required Solvency Margin) of 1.87 (= Rs167.37bn/Rs89.64bn or $3.252bn/$1.742bn) in accordance with Section 64VA of the Insurance Act, 1938 and the Insurance Regulatory and Development Authority of India (Assets, Liabilities and Solvency Margin of General Insurance Business) Regulation 2016. The Solvency ratio was audited by Mukund M. Chitale & Co. and Kailash Chand Jain & Co..

	31 March 2023		31 March 2022	
	Rs billions	NZ$ billions	Rs billions	NZ$ billions
Actual solvency capital	167.37	3.252	146.47	2.771
Minimum solvency capital	89.64	1.742	88.42	1.673
Solvency margin	77.72	1.510	58.04	1.098
Solvency ratio	1.87	1.87	1.66	1.66

4 Insurance Contracts Risk Management Policies and Procedures

The Company writes general commercial insurance in New Zealand.

The principal risk the Company faces under insurance contracts is that the actual claims payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual claims paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across the portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is treaty reinsurance placements which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Branch's net exposure to risk and catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions and are in accordance with the reinsurance contracts. Although the Branch has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit risk exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company has received an B++ (Good) Financial Strength Rating from A M Best Company, an approved agency by the Reserve Bank of New Zealand, dated 16 August 2022 (4 April 2022: B++ (Good)). The credit rating is an indication of the Branch's ability to pay current and future claims.

Notes to the financial statements (continued)

5 Insurance and Financial Risks

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Branch's exposure to credit risk:

The Branch has investments in bank fixed deposits mostly for 1-3 years to avoid long term risk. The banks are selected for fixed deposit investment on the basis of their credit ratings by approved Rating Agencies and having superior ratings to ensure safety and liquidity of capital. The investments are made in different banks in order to ensure diversification and spread risk and to reduce the exposure in single bank transactions.

The credit risk in respect of policyholder balances incurred on non-payment of premiums will only persist during the grace period specified in the policy document, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The carrying amount of the financial instruments equals the maximum credit risk.

Credit exposure by credit rating

The table below provides information regarding the maximum credit risk exposure of the Branch by classifying assets according to Branch's credit ratings of counterparties:

31 March 2023	**Rated**	**Unrated**
Financial assets	$	$
Term deposit with credit institutions	121,866,183	-
Outstanding premiums	-	6,900,355
Cash and cash equivalents	504,958	-
Accrued interest	224,244	-
Total	122,595,385	6,900,355

31 March 2022	**Rated**	**Unrated**
Financial assets	$	$
Term deposit with credit institutions	107,928,174	-
Outstanding premiums	-	5,743,886
Cash and cash equivalents	1,331,441	-
Accrued interest	110,526	-
Total	109,370,141	5,743,886

Cash and cash equivalents and term deposits are invested with New Zealand Banks i.e. ANZ Bank New Zealand Limited having a credit rating of AA- of Standard & Poor's, A+ of Fitch and A1 of Moody's, Bank of India (New Zealand) Limited having a credit rating of BBB- of Fitch and Bank of Baroda having a credit rating of BBB- of Fitch. Insurance receivables are not rated.

The concentration of risk relating to cash and cash equivalents and term deposits of the Branch is related to the amounts held by the three financial institutions ANZ, Bank of Baroda and Bank of India.

Deposits held in:	2023	2022
	%	%
Bank of India	51	51
ANZ	42	41
Bank of Baroda	7	8
Total	100	100

Age analysis of financial assets past due but not impaired

For assets to be classified as "past-due" but not impaired contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

As at 31 March 2023, there were $153,652 of financial assets past due but not impaired (2022: $501,014).

Notes to the financial statements (continued)

5 Insurance and Financial Risks (continued)

Liquidity Risk

Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. Ultimate responsibility for liquidity risk management rests with the board of directors who have built a liquidity risk management framework for the management of the Branch's short, medium and long term investment portfolio which can be liquidated at short notice.

The following procedures are in place to mitigate the exposure to liquidity risk:

The Branch manages its liquidity risk by monitoring the total cash inflows and outflows expected on a daily and monthly basis. The normal cash outflow is managed from monthly cash inflow premium and in the event of greater and significant outflow of cash, the liquidity may be managed through liquidating the bank fixed deposits and if the requirements exceed these limits, Head Office in India shall be approached to provide liquidity support.

All net cash outflows for liabilities in the financial statements will be within 12 months. The Branch maintains a portfolio of highly marketable assets that can easily be liquidated in the event of an unforeseen interruption of cash flow. The net cash inflow for premium debts will be within 12 months. Receivables include interest receivable.

2023	Less than 1 year	1-5 years	5+ years	Total
Financial Liabilities				
Outstanding claims	54,641,500	6,292,369	434,495	61,368,364
Non-interest bearing payables	791,400	-	-	791,400
	55,432,900	6,292,369	434,495	62,159,764

2022	Less than 1 year	1-5 years	5+ years	Total
Financial Liabilities				
Outstanding claims	10,732,084	5,188,670	380,985	16,301,739
Non-interest bearing payables	1,489,314	-	-	1,489,314
	12,221,398	5,188,670	380,985	17,791,053

Capital risk management

The Branch manages its capital structure to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance.

The capital structure of the Branch consists of equity comprising accumulated profits and the Head Office account as disclosed in the Statement of Changes in Equity.

The directors review the capital structure on a regular basis, as part of the review the directors consider the cost of capital and the risks associated with each class of capital. The directors balance the overall capital structure through the issue of new debt or redemption of existing debt when required.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Branch cannot expect to eliminate all operational risks, but by initiating a rigourous control framework and by monitoring and responding to potential risks, the Branch is able to manage the risks. Controls include segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environmental, technology and the industry are monitored through the Branch's strategic planning and budgeting process.

Notes to the financial statements (continued)

5 Insurance and Financial Risks (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks are currency exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk. The Branch does not deal with any capital market risk instruments involving fluctuations in values and all investments are in short and medium term bank fixed deposits of 1 to 5 year term period basis with fixed interest rates.

The fair value of the financial assets is not significantly different to the carrying amount

Currency risk

Currency risk is the risk that the value of recognised assets and liabilities or the cash flows from possible future transactions that are denominated in a currency other than that of the functional currency will decrease due to changes in market exchange rates.

The Branch has no foreign currency exposure at balance date that is considered material.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate as a result of changes in market interest rates.

The Branch primarily faces interest rate risk due to the nature of its investments and liabilities. The Branch manages its exposure to this risk by holding the majority of such assets on short to medium term maturities.

The following table details the Branch's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets.

	Weighted average interest rate	Less than 1 year	1-5 years	5+ years	Total
2023					
Non-interest bearing					
Cash		504,958	-	-	504,958
Outstanding premiums and other receivables		7,221,512	-	-	7,221,512
Prepayments - reinsurance premium		2,313,130			2,313,130
Fixed interest rate instruments					
Short term deposits	2.75%	70,840,040	-	-	70,840,040
Medium term deposits	4.15%	-	51,026,143	-	51,026,143
		80,879,640	51,026,143	-	131,905,783

	Weighted average interest rate	Less than 1 year	1-5 years	5+ years	Total
2022					
Non-interest bearing					
Cash		1,331,441	-	-	1,331,441
Outstanding premiums and other receivables		6,183,608	-	-	6,183,608
Prepayments - reinsurance premium		2,134,407			2,134,407
Fixed interest rate instruments					
Short term deposits	1.69%	48,138,631	-	-	48,138,631
Medium term deposits	2.35%	-	59,789,543	-	59,789,543
		57,788,087	59,789,543	-	117,577,630

A change of 25 basis points in interest rates would increase or decrease net profit before tax by $304,665 (2022: $269,820).

Price risk

Price risk is the risk that the fair value of equities or financial instruments could decrease due to fluctuations in market prices.

The Branch has no such price risk exposure at balance date (2022: nil).

Notes to the financial statements (continued)

6 Revenue

	Note	2023	2022
		$	$
Gross written premium		36,287,489	31,308,532
Movement in unearned premium		(1,440,118)	(1,536,289)
Gross earned premium reserve		34,847,371	29,772,243
Reinsurance recoveries revenue/(expense)	22	41,809,381	(2,940,691)
Other recoveries revenue		118,875	64,306
		41,928,256	(2,876,385)
		76,775,627	26,895,858

Revenue policy

Premium revenue

Direct and inwards insurance premium revenues represent amounts charged in relation to accepting risk from policy holders or other insurers and do not include amounts collected on behalf of third parties.

The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue from the date of attachment of risk. Premium revenue is recognised evenly over the period of the policy or the period of indemnity on the basis of the 365ths method which is considered to closely approximate the pattern of incidence of risk.

The unearned portion of premium is recognised within unearned premium reserve in the Statement of Financial Position.

Outward Reinsurance Expense

Premium ceded to reinsurers is recognised as an expense from the date of attainment of risk over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

7 Expenses

	2023	2022
The following are included in Other expenses:	$	$
Depreciation	66,498	104,630
Salaries and wages	573,085	564,903
Auditor's remuneration comprises:		
Audit of financial statements - Baker Tilly Staples Rodway Auckland	37,500	37,500
Other assurance services - IRCS Limited	25,000	-
Total auditor's remuneration	62,500	37,500

8 Investment Income

	2023	2022
	$	$
Interest income	2,907,286	1,684,395
Total Investment income	2,907,286	1,684,395

Investment income policy

Investment income comprises interest income. Interest income is recognised in the Statement of Comprehensive Income as it accrues using the effective interest method.

Notes to the financial statements (continued)

9 Income tax

	2023 $	2022 $
Tax recognised in profit or loss		
Current tax expense		
Current period	651,464	5,167,454
Adjustment for prior periods	7,419	145,146
Total current tax expense	658,883	5,312,600
Deferred tax expense		
Origination and reversal of temporary differences	(2,418,209)	(15,583)
Adjustment for prior periods	(3,979)	-
Total deferred tax benefit	(2,422,188)	(15,583)
Total income tax (benefit)/expense	(1,763,305)	5,297,017
Reconciliation of effective tax rate		
(Loss)/Profit before tax	(9,401,493)	17,467,108
Income tax using the Company's domestic tax rate of 28%	(2,632,418)	4,890,786
Income tax liability on "as agent" tax return	864,199	328,080
Permanent differences	1,474	794
Prior period adjustment	3,440	(195,209)
Adjustment for Non-resident reinsurance	-	272,566
Income tax (benefit)/expense	(1,763,305)	5,297,017
Deferred tax		
Provisions and accruals	21,235	52,719
Receivables	133,711	17,212
Tax Losses	2,532,840	-
Deferred acquisition cost	(138,163)	(154,443)
Leases	8,205	6,771
Non-resident reinsurance	(485,946)	(272,566)
Net deferred tax asset/(liability)	2,071,882	(350,307)

The current tax receivable of $3,964,346 (2022: $1,366,779 payable) represents the amount of income taxes recoverable and payable in respect of current and prior periods.

Income tax policy

Current tax

Current Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date in the countries where the Branch operates and generates taxable income. Current Income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred tax

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the financial statements (continued)

10 Leases

	2023	2022
Right of use assets	$	$
Balance at 1 April	339,430	434,009
Lease modification	78,206	-
Depreciation charge for the year	(59,032)	(94,579)
Balance at 31 March	358,604	339,430

	2023	2022
	$	$
Current	(95,357)	(53,910)
Non-current	(292,550)	(309,701)
Total lease liabilities	(387,907)	(363,611)

The interest rate applied to lease liabilities is 6.5%, and the leases mature between 31 March 2025 and 31 December 2027.

The Company is exposed to future cash flows arising from variable payments, extension options, termination options and residual value guarantees.

	2023	2022
	$	$
Interest on lease liabilities	21,638	26,122
Expenses relating to leases of low-value assets, excluding short-term of low-value assets	-	2,705

Cash outflows for leases totalled $75,549 during the year (2022:$116,054).

Leases policy

Recognition and measurement

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Notes to the financial statements (continued)

10 Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets, including office equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Extension options

Some leases of buildings contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. The extension options held are exercisable only by the Company as the lessee and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Impairment

The right-of-use asset is regularly assessed for impairment (see further detail in note 2).

11 Investments

	2023 $	2022 $
Current		
Term deposits	70,840,040	48,138,631
	70,840,040	48,138,631
Non-current		
Term deposits	51,026,143	59,789,543
	51,026,143	59,789,543
Total investments	121,866,183	107,928,174

Investments policy

Term deposits are held with various financial institutions and are held to maturity measured at amortised cost at balance date.

Notes to the financial statements (continued)

12 Outstanding premiums and other receivables

	2023	2022
	$	$
Premium due from policyholders and intermediaries	7,409,998	5,805,357
Provision for impairment	(509,643)	(61,471)
Total outstanding preimums	6,900,355	5,743,886
Other receivables	96,913	329,196
Accrued Interest	224,244	110,526
Total other receivables	321,157	439,722
Total receivables	7,221,512	6,183,608

Outstanding premiums and other receivables policy

Outstanding premiums are stated at their cost less allowance for impairment and credit notes due. An allowance is established when the Branch will not be able to collect all amounts due to the original term of the receivable. Any decrease or increase of the allowance is recognised in the Statement of Comprehensive Income.

A provision for impairment of outstanding premiums is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment. In the current year the Branch has recognised an increase in doubtful debts of $448,172 (2022: $nil).

Outstanding premiums that have fixed or determinable payments that are not quoted in an active market are classified as financial assets, and measured at at amortised cost using the effective interest method less impairment.

13 Deferred acquisition costs

	2023	2022
	$	$
Opening balance at 1 April	551,581	597,195
Additions	950,464	998,825
Amortisation	(1,008,607)	(1,044,439)
Total deferred acquisition cost	493,438	551,581

Deferred acquisition costs policy

Acquisition costs incurred in writing and renewing of insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will be recoverable out of future premiums. Deferred acquisition costs are amortised in accordance with expected pattern of incidence of risk under the insurance to which they relate.

Deferred acquisition costs are measured at the lower of cost and recoverable amount. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less that the carrying value, an impairment loss is recognised in the profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period. Deferred acquisition costs are derecognised when the related contracts are either settled or disposed of.

Notes to the financial statements (continued)

14 Trade and other payables

	2023	2022
	$	$
Trade payables	347,807	483,062
Non trade payables and accrued expenses	378,764	923,477
Liability for annual leave	64,829	82,775
	791,400	1,489,314

Trade and other payables policy

The average credit limit for payables owing to the Branch's reinsurer and brokers is 90 days. The Branch has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Trade and other payables are recognised when the Branch becomes obliged to make future payments resulting from the purchase of goods and services.

Trade and other payables are classified as financial liabilities at amortised cost. These financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

15 Outstanding claims provision

	2023	2022
	$	$
Central estimate of outstanding claims provisions (including risk margin)	59,370,317	14,748,639
Claim handling expenses	385,242	415,703
Claims incurred but not reported	1,612,804	1,126,169
Claims but not enough reported	1	11,228
Total outstanding claims provision	61,368,364	16,301,739

The risk margin used to determine claims incurred but not reported included in total outstanding claims is 15% (2022: 15%) of the central estimate.

Outstanding claims provision policy

The Branch's claims liability is measured as the present value of expected future payments relating to claims incurred at the reporting date. The expected future payments include those estimates in relation to the claims incurred but not enough reported (IBNER) and claims incurred but not reported (IBNR) based on past experience.

Claims incurred all relate to providing services, including the bearing of risk, and are accordingly treated as expenses in the Statement of Comprehensive Income. Claims expenses represent total claim payments made during the year adjusted for the movement in the outstanding claims liability.

The claims liability is measured based on the valuations performed by the Appointed Actuary whose key assumptions are outlined in note 3.

Notes to the financial statements (continued)

16 Development of claims

The following table shows the development of net outstanding claims relative to the current estimate of ultimate claim costs for the six most recent years.

2023	2018	2019	2020	2021	2022	2023	Total
	$	$	$	$	$	$	$
Ultimate claims cost estimate							
At the end of incident year	9,642,344	4,292,620	9,384,054	6,794,826	(1,877,910)	6,364,736	
One year later	2,398,129	5,117,448	5,037,319	18,525,144	7,535,803	-	
Two years later	8,387,957	5,279,579	9,193,469	22,080,622	-	-	
Three years later	8,311,163	5,209,574	9,565,796	-	-	-	
Four years later	8,293,580	5,231,366	-	-	-	-	
Five years later	8,285,601	-	-	-	-	-	
Earlier	-	-	-	-	-	-	
Current estimate of ultimate cost	8,285,601	5,231,366	9,565,796	22,080,622	7,535,803	6,364,736	
Cumulative payments	(8,293,579)	(5,231,366)	(9,599,484)	(22,109,155)	(7,615,911)	(7,605,320)	
Undiscounted central estimate	(7,978)	-	(33,688)	(28,533)	(80,108)	(1,240,584)	(1,390,891)
Discount to present value	231	-	975	825	2,317	35,889	40,237
Discounted central estimate	(8,209)	-	(34,663)	(29,358)	(82,425)	(1,276,473)	(1,431,128)
Claims management expenses							384,606
IBNR							1,610,140
Risk margin							7,991,347
Net outstanding claims liability							8,554,965
Reinsurance and third party recoveries on outstanding claim liability							52,813,401
Gross outstanding claims liability							61,368,366

2022	2017	2018	2019	2020	2021	2022	Total
	$	$	$	$	$	$	$
Ultimate claims cost estimate							
At the end of incident year	2,258,942	9,642,344	4,292,620	9,384,054	6,794,826	(1,877,913)	
One year later	2,223,118	2,398,129	5,117,448	5,037,319	18,525,147	-	
Two years later	1,465,372	8,387,957	5,279,579	9,193,476	-	-	
Three years later	2,119,622	8,311,163	5,209,568	-	-	-	
Four years later	2,106,827	8,293,580	-	-	-	-	
Five years later	1,987,621	-	-	-	-	-	
Current estimate of ultimate cost	1,987,621	8,293,580	5,209,568	9,193,476	18,525,147	(1,877,912)	
Cumulative payments	(2,106,827)	(8,293,580)	(5,200,831)	(9,384,736)	(19,954,943)	(1,479,998)	
Undiscounted central estimate	(119,206)	-	8,737	(191,260)	(1,429,796)	(3,357,910)	(5,089,435)
Discount to present value	(7)	-	1	(12)	(84)	(198)	(300)
Discounted central estimate	(119,213)	-	8,738	(191,272)	(1,429,880)	(3,358,108)	(5,089,735)
Claims management expenses							412,215
IBNR							1,116,720
Risk margin							2,108,474
Net outstanding claims liability							(1,452,326)
Reinsurance and third party recoveries on outstanding claim liability							17,754,065
Gross outstanding claims liability							16,301,739

Notes to the financial statements (continued)

17 Concentration of Insurance Risk

Refer to the following table for Concentration of Insurance Risk by type and geographical area: (sum insured NZ$ million)

2023	No. of Risks	Building	Contents	BI	Total
		$	$	$	$
Northland	153	67	38	34	139
Auckland	1,422	1,159	714	766	2,639
Waikato/Hamilton	348	327	189	128	644
Bay of Plenty/Tauranga/Rotorua	235	502	282	206	990
Taranaki/New Plymouth	48	51	52	38	141
East Coast/Gisbourne	106	66	145	89	300
Manawatu/Wanganui/P. North	118	229	17	22	268
Napier/Hastings/Hawkes Bay	282	479	130	122	731
Wairarapa/Masterton	27	2	6	14	22
Wellington/Lower Hutt/Porirua	170	378	68	117	563
Nelson	527	324	198	163	685
Marlborough/Blenheim	28	80	65	15	160
Canterbury/Christchurch	447	409	195	140	744
Westland/Greymouth	14	43	6	3	52
Otago/Dunedin	158	108	20	37	165
Southland/Invercargill	542	151	47	22	220
Pacific Islands of NZ	45	127	28	45	200
	4,670	4,502	2,200	1,961	8,663

2022	No. of Risks	Building	Contents	BI	Total
		$	$	$	$
Northland	55	16	22	42	80
Auckland	948	965	329	481	1,775
Waikato/Hamilton	321	247	115	64	426
Bay of Plenty/Tauranga/Rotorua	217	393	175	157	725
Taranaki/New Plymouth	77	61	55	30	146
East Coast/Gisbourne	49	25	14	18	57
Manawatu/Wanganui/P. North	188	311	70	85	466
Napier/Hastings/Hawkes Bay	254	540	107	92	739
Wellington/Lower Hutt/Porirua	230	435	68	100	603
Nelson	246	223	189	94	506
Marlborough/Blenheim	86	90	40	27	157
Canterbury/Christchurch	362	353	309	248	910
Westland/Greymouth	130	28	10	10	48
Otago/Dunedin	229	112	67	66	245
Southland/Invercargill	406	172	104	50	326
Pacific Islands of NZ	121	118	60	56	234
	3,966	4,112	1,749	1,640	7,501

18 Unearned premium reserve

	2023	2022
	$	$
Opening balance at 1 April	14,628,512	13,092,223
Deferral of premium on contracts written during the year	16,068,629	14,628,512
Earning of premiums deferred in prior years	(14,628,512)	(13,092,223)
Closing balance at 31 March	16,068,629	14,628,512

Notes to the financial statements (continued)

19 Liability adequacy test

The liability adequacy test is an assessment of the carrying amount of unearned premium liabilities and is conducted at the end of each reporting period. The test is conducted separately for each portfolio of contracts that are subject to broadly similar risks that are managed together as a single portfolio.

The Appointed Actuary has assessed the adequacy of the Unearned Premium Liability by considering Deferred Acquisition Costs and the estimated present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance policies as follows:

Liability Adequacy Test: Pass	2023	2022
	$	$
Unearned premium	16,068,629	14,628,512
Related deferred acquisition costs	(493,438)	(551,581)
Net unearned premium	15,575,191	14,076,931
Premium liabilities (*)	(8,168,975)	(10,398,619)
Liability surplus	7,406,216	3,678,312
Deferred acquisition cost to be written off	-	-

(*)including risk margin and claims management expenses

The Appointed Actuary calculated the Premium Liabilities as Unearned Premiums x Claims Ratio of the last five years x Risk Margin loading x Claims Management Expenses loading ($8,168,975 = $16,068,629 x 44% x 1.15 x 1.0070).

The Appointed Actuary is not aware of any need to make any allowance for any projected Premium Adjustments or Unclosed Premiums or other commitments arising from the Branch's insurance contracts.

Liability adequacy testing is performed in order to recognise any deficiencies in the Statement of Comprehensive Income arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs and intangible assets not meeting the estimated future claims under current insurance contracts.

20 Reconciliation of profit after income tax to net cash inflows from operating activities

Operating activities	2023	2022
	$	$
Net (loss)/profit after tax	(7,638,188)	12,170,091
Add: Non-cash items		
Depreciation	66,498	104,631
Increase in outstanding premiums and other receivables	(1,060,067)	(566,328)
Increase in deferred acquisition cost	58,143	45,614
(Decrease)/increase in trade and other payables	(676,274)	282,728
Increase/(decrease) in outstanding claim provision	45,066,625	(21,759,026)
Increase in unearned premiums	1,440,117	1,536,289
(Decrease)/increase in income tax provision	(5,603,691)	5,813,493
(Decrease) in deferred tax liability	(2,149,623)	(84,276)
(Increase)/decrease in head office account	(16,316,465)	11,447,326
	13,187,075	8,990,542

21 Contingencies and commitments

The Branch had no capital commitments or contingencies as at balance date (2022: nil).

Notes to the financial statements (continued)

22 Related parties

Key management personnel

Remuneration of key management personnel during the year amounted to short term employee benefits of $378,060 (2022: $310,368). No other types of remuneration were paid to key management personnel during the year.

Transactions and balances

The Head Office has charged the New Zealand branch for Treaty Reinsurance in the amount of $12,969,795 (2022: $10,614,143)

The Head Office has had the following transactions with the New Zealand branch and as at 31 March 2023, the closing balance of the Head Office account was $18,455,110 (2022: $34,615,015).

Head office account:	2023 $	2022 $
Opening balance	34,615,015	22,403,290
Reinsurance recoveries		
Recoveries - current year	(46,928,926)	(4,612,628)
Recoveries - prior year reassessment	5,119,545	7,553,319
Total reinsurance recoveries revenue	(41,809,381)	2,940,691
Reinsurance premium		
Premium and reinstatement - current year	21,851,398	8,992,654
Premium - prior years	3,855,753	2,119,084
Reinstatement premium - prior year reasessment	(226,903)	(2,608,057)
Total outwards reinsurance premium expense	25,480,248	8,503,681
Other movements	169,228	767,353
Closing balance	18,455,110	34,615,015

23 Subsequent events

There have been no events subsequent to balance date which would materially affect the financial statements.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The New India Assurance Company – New Zealand Branch

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The New India Assurance Company - New Zealand Branch ('the Branch') on pages 3 to 25, which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 March 2023, and 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').

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

Basis for Opinion

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

Other than in our capacity as auditor we have no relationship with, or interests in, The New India Assurance Company - New Zealand Branch.

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
Valuation and completeness of Outstanding Claims Provision As disclosed in Note 15 of the Branch's financial statements the Branch had an outstanding claims provision of $61.4m as at 31 March 2023. The Branch's outstanding claims provision was significant to our audit due to the size of the liability and the subjectivity, complexity and uncertainty inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. Management engaged an external actuarial expert to estimate the Branch's outstanding claims provision as at 31 March 2023.	Our audit procedures, among others, included: • Understanding and evaluating the Branch's internal controls relevant to the accounting estimates used to determine the valuation and completeness of the Branch's outstanding claims provision. • Evaluating the design and operating effectiveness of the key controls over insurance contract origination, ongoing administration, claims management and reporting and the integrity of the related data. • Evaluating the competence, capabilities, objectivity and expertise of Management's external actuarial expert and the appropriateness of the expert's work as audit evidence for the relevant assertions. • Agreeing the data provided to Management's external actuarial expert to the Branch's records. • Engaging our own actuarial expert to assist in understanding and evaluating: o the work and findings of the Branch's external actuarial expert engaged by Management; and o the Branch's actuarial methods and assumptions to assist us in challenging the appropriateness of actuarial methods and assumptions used by Management. • Evaluating the selection of methods and assumptions with a view to identifying Management bias. • Evaluating the related disclosures (including the accounting policies and accounting estimates) about outstanding claims provision, and the risks attached to them which are included in Note 3, 4 and 15 in the Branch's financial statements, including evaluating the disclosures relating to the Branch's adoption of NZ IFRS 17 *Insurance Contracts* on 1 April 2023.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the Directors are responsible on behalf of the Branch 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 the Directors either intend to liquidate the Branch or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent fairly the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is D I Searle.

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

21 July 2023