CHUBB INSURANCE NEW ZEALAND LIMITED

ANNUAL REPORT

31 DECEMBER 2023

CHUBB INSURANCE NEW ZEALAND LIMITED

ANNUAL REPORT 2023

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Chubb Insurance New Zealand Limited

DIRECTORS' REPORT

The Board of Directors present the annual report of Chubb Insurance New Zealand Limited ("the Company") incorporating the financial statements and the Auditor's report for the year ended 31 December 2023.

In accordance with section 211(3) of the Companies Act 1993, the shareholders have passed a unanimous resolution that the annual report of the Company include only the signed financial statements, the Director's report for the accounting period completed and an Auditor's report.

The Board of Chubb Insurance New Zealand Limited authorised these financial statements presented on pages 9 to 60 for issue on 30 April 2024.

For and on behalf of the Board of Directors

....	....
Graeme Evans	Carol Campbell
30 April 2024	30 April 2024

Independent auditor's report

To the shareholder of Chubb Insurance New Zealand Limited

Our opinion

In our opinion, the accompanying financial statements of Chubb Insurance New Zealand Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 December 2023, 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 Accounting Standards (IFRS Accounting Standards).

What we have audited

The financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

Our firm provides an assurance service over the Solvency Return for the Company. In addition, we have insurance contracts with the Company. All contracts were negotiated on normal commercial terms and conditions within the ordinary course of trading activities of the Company. Subject to certain restrictions, partners and employees may individually deal with the Company on normal terms within the ordinary course of trading activities of the Company. These matters have not impaired our independence as auditor of the Company.

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Key audit matters

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

Description of the key audit matter	How our audit addressed the key audit matter
Valuation of the liability for incurred claims, specifically the methodology and assumptions used in determining the IBNR and IBNER components as well as the risk adjustment component. Refer to notes 2.3, 3 (ii), 4(i) and 9 of the financial statements. As at 31 December 2023, the Company held a liability for incurred claims of $301.4m (2022: $276.8m). The liability for incurred claims comprises fulfillment cash flows related to past services provided under groups of insurance contracts which have not yet been paid, including claims that have been incurred but not yet reported (IBNR) and claims incurred but not enough reported (IBNER). This balance also includes a risk adjustment and discounting. We considered the valuation of the liability for incurred claims, specifically the methodology and assumptions used in determining the IBNR and IBNER components, and the risk adjustment, to be a key audit matter given it is subject to a high degree of management judgement and also any errors in the valuation can result in significant and material impacts on both the balance sheet and income statement. These estimates are inherently uncertain and can be further impacted by a number of factors such as 'long-tail' classes and natural catastrophe events occurring close to year end where data is limited and as a result require greater reliance on expert judgement.	Together with PwC actuarial experts, our procedures included: • Developing an understanding of the control activities relevant to our audit over the Company's process for determining the liability for incurred claims, and for certain control activities, assessing whether they were appropriately designed and operating effectively on a sample basis. • Assessing the accuracy and completeness, and appropriateness, of the data used in the actuarial models and the risk adjustment by substantively testing key data inputs such as case estimates and claims payments, as well as qualitative claims information. • Independently assessing the reasonableness of assumptions and methodologies selected by management, and considering management's assessment of the estimation risk. We have considered these methodologies and assumptions by comparing them with our expectations based on the Company's experience, current trends and benchmarks, and our own industry knowledge, as well as testing the mathematical integrity of the models. • Assessing the Board's approach to setting the risk adjustment in accordance with the NZ IFRS 17 requirements by assessing the underlying actuarial methodologies and assumptions adopted. We also assessed the reasonableness of the related disclosures in the financial statements against the requirements of NZ IFRS.

Our audit approach

Overview

Materiality	Overall materiality: $2.5 million, which represents 1% of Insurance revenue. We chose Insurance revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark.
Key audit matters	As reported above, we have one key audit matter, being: ● Valuation of the liability for incurred claims, specifically the methodology and assumptions used in determining the IBNR and IBNER components as well as the risk adjustment component.

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

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

Materiality

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

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

Other information

The Directors are responsible for the other information. The other information comprises the 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 the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

Who we report to

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

The engagement partner on the audit resulting in this independent auditor's report is Scott Hadfield.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants

30 April 2024

Sydney

Chubb Insurance New Zealand Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2023

	Note	2023 $'000	2022 (Restated) $'000
Insurance revenue	5	255,246	237,197
Insurance service expenses	5	(254,165)	(255,234)
Net recovery from reinsurance contracts held	5	49,138	48,874
Insurance service result		**50,219**	**30,837**
Finance (expenses)/income from insurance contracts held	6	(10,824)	2,804
Finance income/(expenses) from reinsurance contracts held	6	8,623	(1,884)
Net insurance finance (expenses)/income		**(2,201)**	**920**
Insurance profit		**48,018**	**31,757**
Investment income/(loss)	7	10,920	(4,263)
Other expenses	8	(12,370)	(12,258)
Profit before income tax		**46,568**	**15,236**
Income tax expense	10	(13,154)	(3,766)
Profit for the year		**33,414**	**11,470**
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax attributable to equity holders		**33,414**	**11,470**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.
The Company adopted NZ IFRS 17 Insurance Contracts from 1 January 2023 and has therefore restated the comparative period. The impact of adoption is outlined in note 2.1 (i).

Chubb Insurance New Zealand Limited

STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Note	2023 $'000	2022 (Restated) $'000	1 January 2022 (Restated) $'000
ASSETS				
Cash and cash equivalents	11	16,416	9,417	6,314
Other receivables	14	22,184	35,078	30,477
Financial assets at fair value through profit or loss	12	194,087	146,185	164,705
Reinsurance contract assets	9	257,193	245,379	276,140
Other assets		191	145	306
Current tax assets	10	3,334	7,154	1,374
Right-of-Use Assets	15	861	1,287	1,182
Property, plant and equipment	16	570	596	826
Intangible Assets	17	723	713	370
TOTAL ASSETS		**495,559**	**445,954**	**481,694**
LIABILITIES				
Payables	18	16,869	16,956	14,166
Working capital overdraft		-	-	11,818
Insurance contract liabilities	9	388,164	357,812	382,928
Provisions	20	826	838	812
Lease liabilities	19	922	1,345	1,251
Deferred tax liabilities	10	805	444	1,630
TOTAL LIABILITIES		**407,586**	**377,395**	**412,605**
NET ASSETS		**87,973**	**68,559**	**69,089**
EQUITY				
Contributed capital	21	16,900	16,900	16,900
Retained profits	22	71,073	51,659	52,189
TOTAL EQUITY		**87,973**	**68,559**	**69,089**

The above statement of financial position should be read in conjunction with the accompanying notes.
The Company adopted NZ IFRS 17 Insurance Contracts from 1 January 2023 and has therefore restated the comparative period. The impact of adoption is outlined in note 2.1 (i).

....
Graeme Evans

30 April 2024

....
Carol Campbell

30 April 2024

Chubb Insurance New Zealand Limited

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023

	Note	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total $'000
Balance at 1 January 2022, as previously reported	21/22	**16,900**	**-**	**53,228**	**70,128**
Impact of initial application of NZ IFRS 17		-	-	(1,039)	(1,039)
Balance at 1 January 2022 (restated)		16,900	-	52,189	69,089
Profit for the period		-	-	11,470	11,470
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the year, net of tax attributable to equity holders		**-**	**-**	**11,470**	**11,470**
Dividends paid		-	-	(12,000)	(12,000)
Balance as at 31 December 2022 (restated)	21/22	**16,900**	**-**	**51,659**	**68,559**
Profit for the period		-	-	33,414	33,414
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the year, net of tax attributable to equity holders		**-**	**-**	**33,414**	**33,414**
Dividends paid		-	-	(14,000)	(14,000)
Balance as at 31 December 2023	21/22	**16,900**	**-**	**71,073**	**87,973**

The above statement of changes in equity should be read in conjunction with the accompanying notes.
The Company adopted NZ IFRS 17 Insurance Contracts from 1 January 2023 and has therefore restated the comparative period. The impact of adoption is outlined in note 2.1 (i).

Chubb Insurance New Zealand Limited

STATEMENT OF CASH FLOWS
for the year ended 31 December 2023

	Note	2023 $'000	2022 (Restated) $'000
Cash flows from operating activities:			
Premiums received		257,008	242,294
Outwards reinsurance paid		(153,069)	(70,457)
Claims paid		(201,346)	(238,945)
Reinsurance and other recoveries received		187,517	140,818
Commission expenses paid		(29,127)	(30,658)
Commission revenue received		11,499	7,389
Operating expenses paid		(8,175)	(18,070)
Operating revenue received		4,196	(8,986)
Interest received		6,700	5,859
Interest paid		(642)	(579)
Investment fees paid		(246)	(229)
Income tax recovered/(paid)		(8,973)	(10,731)
Net cash inflows from operating activities	27	65,342	17,705
Cash flows from investing activities:			
Payments for investment securities		(75,681)	(42,397)
Proceeds from sale of investment securities		32,158	52,424
Payment for plant and equipment		(279)	(21)
Payment for intangibles		(100)	(343)
Net (outflows)/inflows from investing activities		(43,902)	9,663
Cash flows from financing activities:			
Dividends paid		(14,000)	(12,000)
Payments relating to principal element of lease liabilities		(408)	(419)
Interest paid on leases		(33)	(28)
Net cash outflows from financing activities		(14,441)	(12,447)
Net increase in cash and cash equivalents held		6,999	14,921
Cash and cash equivalents at beginning of year		9,417	(5,504)
Cash and cash equivalents at end of the year	11	**16,416**	**9,417**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
31 December 2023

Contents

1. GENERAL INFORMATION

The financial statements are for the reporting entity, Chubb Insurance New Zealand Limited. The Company is incorporated and domiciled in New Zealand. The address of the registered office is: CU 1-3, Shed 24, Princes Wharf, Auckland, New Zealand.

The principal activities of the Company during the year were the underwriting of general insurance and subsequent payment of claims. It is a for-profit entity registered under the Companies Act 1993, an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013 and it is a Licensed Insurer under the Insurance (Prudential Supervision) Act 2010.

These financial statements have been authorised for issue by the Board of Directors on 22 April 2024. The Directors have the power to amend the financial statements after issue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(2.1) Basis of preparation

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

These financial statements have been prepared on an historical cost basis unless the application of fair value measurement is required by the relevant accounting standards.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant, are disclosed in note 4.

The financial statements are presented in New Zealand dollars, and values are rounded to the nearest thousand dollars, or in certain cases, the nearest dollar.

(i) New accounting standards adopted by the Company

A number of new or amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards, with the exception of NZ IFRS 17.

Title	Application date
NZ IFRS 17 Insurance Contracts	1 January 2023
Amendment to NZ IAS 12 Income Taxes	1 January 2023
Disclosure of Accounting Policies and Definition of Accounting Estimates [NZ IAS 1, NZ IAS 8]	1 January 2023

NZ IFRS 17 Insurance Contracts
NZ IFRS 17 establishes new accounting requirements for insurance contracts. Significant changes to key estimates and judgements resulting from the application of NZ IFRS 17 are described in note 4.

The new standard was adopted in accordance with its transitional provisions which require retrospective application and restatement of comparative information as if NZ IFRS 17 had always been in effect, except to the extent that it is impracticable to do so, in which case permitted modifications have been applied ('modified retrospective approach'). The adoption of NZ IFRS 17 has resulted in a decrease in net assets as at 1 January 2022 of $1,039,000. This amount was recognised as an adjustment to the opening balance of retained earnings as shown in the statement of changes in equity. The opening net asset impact mainly reflect differences arising from:

- the exclusion of non-directly attributable expenses from the future cash flows – decrease by $1,302,000
- revenue recognition – decrease by $246,000
- provision for doubtful debt - increase by $200,000
- discounting methodology - decrease by $99,000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NZ IFRS 17 Insurance Contracts (continued)

- tax impacts – increase by $404,000
- and other smaller differences – increase by $4,000.

(ii) Interpretations to published standards that are not yet effective and have not been early adopted by the Company

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standards are not expected to have a material impact on the Company's results or financial position, unless otherwise stated, however they may have an impact on disclosures.

ACCOUNTING POLICIES

Title	Summary	Application date
Disclosure of Fees for Audit Firms' Services (Amendments to IFRS 44)	Entities are required to disclose the fees incurred for services received from its audit or review firm, and a description of each service, using the following specified categories: - Audit or review of the financial statements - Other non-audit and non-review services: - Audit or Review of Related Services - Other Assurance Services and Other Agreed-Upon Procedures Engagements - Taxation Services - Other Services	1 January 2024
Non-current Liabilities with Covenants *[NZ IAS 1]*	The amendments require: - Only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. - Entities must disclose information to enable users to understand the risk that non-current liabilities with covenants could become repayable within twelve months.	1 January 2024

(2.2) Foreign Currency Translations

(i) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in New Zealand dollars, which is the Company's functional currency and presentation currency.

(ii) Transactions and balances
Foreign currency transactions during the year are recorded in New Zealand dollars using the rate of exchange prevailing at the date of the transaction. At balance date, amounts receivable and payable in foreign currency are translated at the exchange rate prevailing at that date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

(2.3) Insurance Contracts

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.3) Insurance Contracts (continued)

Unit of Account

The Company manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

- (i) contracts that are onerous at initial recognition;
- (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
- (iii) a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous from non-onerous contracts. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of:

- (i) contracts for which there is a net gain at initial recognition, if any;
- (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
- (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Company tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

Before the Company accounts for an insurance contract based on the guidance in NZ IFRS 17, it analyses whether the contract contains components that should be separated:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or services other than insurance contract services.

The Company applies NZ IFRS 17 to all remaining components of the contract. The Company does not have any contracts that require further separation or combination of insurance contracts.

Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.3) Insurance Contracts (continued)

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
  - (i) the beginning of the coverage period of the Company; and
  - (ii) the initial recognition of any underlying insurance contract;
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held;

unless the Company entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

Accounting for contract modification and derecognition

An insurance contract is derecognised when it is:

- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- in specific circumstances where the contract is modified.

When an insurance contract is modified by the Company as a result of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as changes in estimates of the fulfilment cash flows (FCF), unless the conditions for the derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

(a) if the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
  - (i) is not within the scope of NZ IFRS 17;
  - (ii) results in different separable components;
  - (iii) results in a different contract boundary; or
  - (iv) belongs to a different group of contracts;

(b) the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or

(c) the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When a new contract is required to be recognised as a result of modification and it is within the scope of NZ IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, component separation requirements and contract aggregation requirements.

When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

(a) if the contract is extinguished, any net difference between the derecognised part of the liability for remaining coverage (LRC) of the original contract and any other cash flows arising from extinguishment;

(b) if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or

(c) if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.3) Insurance Contracts (continued)

MEASUREMENT

Fulfilment cash flows (FCF)

Fulfilment cash flows within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:
- (a) are based on a probability-weighted mean of the full range of possible outcomes;
- (b) are determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables; and
- (c) reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the Liability for Incurred Claims (LIC).

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cashflows and liquidity characteristics of the insurance contracts requires significant judgement and estimation. Refer to note 4.

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer. The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:
- (a) the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- (b) both of the following criteria are satisfied:
    - (i) the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
    - (ii) the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.3) Insurance Contracts (continued)

Contract boundary (continued)

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

The Company's quota share reinsurance agreements are annual contracts that cover underlying business issued within a year. Estimates of future cash flows arising from all underlying contracts issued and expected to be issued within the reinsurance contracts' one-year boundary are included in the measurement of the reinsurance contracts.

The excess of loss reinsurance contracts held provides coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts might include mandatory or voluntary reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the respective reinsurance contracts' boundaries.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

Insurance acquisition costs

Acquisition cash flows are cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis.

Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:
(a) to that group; and
(b) to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

Before a group of insurance contracts is recognised, the Company could pay (or recognise a liability, applying a standard other than NZ IFRS 17) for directly attributable acquisition costs to originate them. Such balances are recognised as insurance acquisition cash flows assets within the carrying amount of insurance contracts issued and are subsequently derecognised (in full or to the extent that insurance contracts expected to be in the group have been recognised at that date) when respective groups of insurance contracts are recognised and the insurance acquisition cash flows are included in the group's measurement. The amounts allocated to groups of insurance contracts yet to be recognised are revised at each reporting date, to reflect any changes in assumptions that determine the inputs to the method of allocation used.

Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

The recoverability assessment is performed in two steps, as follows:
1. an impairment loss is recognised to the extent that the carrying amount of each asset for insurance acquisition cash flows exceeds the expected net cash inflow as determined by the FCF as at initial recognition for the related group of insurance contracts;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.3) Insurance Contracts (continued)

Insurance acquisition costs (continued)

2. in addition, when insurance acquisition cash flows directly attributable to a group of contracts are allocated to groups that include expected contract renewals, such insurance acquisition cash flows should not exceed the expected net cash inflow from the expected renewals as determined by the FCF as at initial recognition for the expected renewals; an impairment loss is recognised for the excess to the extent not recognised in step (1) above.

Other pre-recognition cash flows within the contract boundary

Before a group of insurance contracts is recognised, the Company could recognise assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, either because of the occurrence of the cash flows or because of the requirements of another NZ IFRS standard. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group if they had been paid or received after that date. Such assets or liabilities (referred to as 'other pre-recognition cash flows') are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cashflows from non-financial risk as the Company fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 4.

Initial and subsequent measurement

Insurance and reinsurance contracts must be measured using a general model (GMM), unless the contracts meet certain eligibility criteria, in which case they may be measured using a simplified approach known as the premium allocation approach (PAA). Contracts are eligible for the simplified approach if they have coverage periods of one year or less or if the liability for remaining coverage under that approach is not expected to materially differ from that under the general model.

The Company applies the premium allocation approach to its insurance and reinsurance contracts on the basis that these eligibility requirements are met. For contracts with coverage periods greater than one year, the Company's eligibility assessment framework involves a qualitative consideration of contract features and, where applicable, modelling of the liability for remaining coverage (LRC) under a range of reasonably expected scenarios. The exception to this is a small life insurance book of business which, due to its longer duration nature, has been measured using the GMM. Under the GMM, a contractual service margin (CSM) is determined as the component of the carrying amount of the asset or liability representing the unearned profit that the Company will recognise as it provides insurance contract services in the future. Where the CSM is calculated as a net outflow, the group of contracts is considered onerous and the loss is recognised immediately in the profit or loss.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group. For reinsurance contracts held, broker fees are recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Initial and subsequent measurement (continued)

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:
(a) the LRC; and
(b) the Liability for Incurred Claims (LIC), comprising the Fulfilment Cash Flows (FCF) related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:
(a) the remaining coverage; and
(b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:
(c) increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
(d) decreased for insurance acquisition cash flows paid in the period;
(e) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
(f) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:
(g) increased for ceding premiums paid in the period;
(h) increased for broker fees paid in the period; and
(i) decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less.

The Company adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer's non-performance.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

The LIC is measured by reference to future cash flows adjusted for the time value of money, as insurance contracts issued by the Company and measured under the PAA typically have a settlement period of over one year.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC, with the increase recognised in insurance service expenses, and a loss component established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date.

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.3) Insurance Contracts (continued)

The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

Methods used in determining the IFRS 17 transition amounts

The Company has adopted NZ IFRS 17 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable, being for the indirect insurance acquisition cash flow component of the insurance contracts.

Modified retrospective approach
After making reasonable efforts to gather necessary historical information, the Company has determined that information for indirect insurance acquisition cash flow asset under insurance contracts, was not available or was not available in a form that would enable it to be used without undue cost and effort. It was therefore impracticable to apply the full retrospective approach, and the modified retrospective approach was used.

(2.4) Insurance Revenue

As the Company provides insurance contract services under the group of insurance contracts, it reduces the Liability for Remaining Coverage (LRC) and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Company expects to be entitled to in exchange for those services.

Under the PAA, the Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

(2.5) Insurance service expenses

Insurance service expenses include the following:

(a) incurred claims and benefits, excluding investment components reduced by loss component allocations;
(b) other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
(c) insurance acquisition cash flows amortisation;
(d) changes that relate to past service – changes in the fulfilment cash flows (FCF) relating to the Liability for Incurred Claims (LIC); and
(e) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
(f) insurance acquisition cash flows assets impairment, net of reversals.

The amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income/expenses from reinsurance contracts held, comprising the following amounts:

(a) reinsurance expenses;
(b) for groups of reinsurance contracts measured under the PAA, broker fees are included within reinsurance expenses;
(c) incurred claims recovery, excluding investment components reduced by loss-recovery component allocations;
(d) other incurred directly attributable expenses;
(e) changes that relate to past service – changes in the FCF relating to incurred claims recovery;
(f) effect of changes in the risk of reinsurers' non-performance; and
(g) amounts relating to accounting for onerous groups of underlying insurance contracts issued, that is income on initial recognition of onerous underlying contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.6) Income/(expenses) from reinsurance contracts held

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services. Additionally, for reinsurance contracts held measured under the PAA, broker fees are included in reinsurance expenses.

The Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

(2.7) Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

(a) the effect of the time value of money and changes in the time value of money; and
(b) the effect of financial risk and changes in financial risk.

The main amounts within insurance finance income or expenses are:

(c) interest accreted on the LIC; and
(d) the effect of changes in interest rates and other financial assumptions.

The Company includes all insurance finance income or expenses for the period in statement of profit or loss and other comprehensive.

(2.8) Assets Backing Insurance Contract Liabilities

As part of its investment strategy, the Company monitors the maturity dates of its investment portfolio in comparison with the expected pattern of future cash flows arising from general insurance liabilities.

All financial assets are deemed to back insurance liabilities and therefore are measured at fair value in the statement of financial position. Refer to note 2.11 and 2.12 for financial assets backing insurance liabilities.

(2.9) Income Tax

The income tax expense or revenue for the period is the tax payable on the current year's taxable income based on the notional tax rate adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and changes in unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply in the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.10) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:
- Leasehold improvements – over the period of lease
- Plant and equipment - over 2 to 8 years

An asset's residual value, useful life and amortisation method is reviewed, and adjusted if appropriate, at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

(2.11) Financial Assets

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

The Company's investment strategy is to invest in debt securities and to manage and evaluate the portfolio on a fair value basis. The Company is primarily focussed on fair value information and uses that information to assess the assets' performance and to make decisions. Financial assets are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to realise proceeds from sale. As required by NZ IFRS 9 Financial Instruments, the Company's portfolio of financial assets is categorised as fair value through profit or loss on initial recognition.

Investments are initially recorded at fair value being the cost of acquisition excluding transaction costs and are subsequently measured to fair value at each reporting date. Assets that are subsequently measured at fair value through profit or loss are not subject to impairment considerations under the expected credit losses model.

All purchases and sales of investments 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 Company commits to buy or sell the asset. Investments are derecognised when the right to receive future cash flows from the asset has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.11) Financial assets (continued)

(ii) Other receivables

Receivables within the scope of NZ IFRS 9 Financial Instruments are managed to collect contractual cash flows and their contractual terms generate cash flows that are solely payments of principal (and interest thereon, if any). Receivables are initially recognised at fair value and are subsequently measured at amortised cost less a provision for impairment.

Impairment is calculated as a provision for expected credit losses (ECLs). The provision for ECLs is based on the difference between the cash flows due in accordance with the contract and the cash flows that the Company expects to receive. Any shortfall is discounted at an approximation to the asset's original effective interest rate. The assessment of ECLs reflect judgements and assumptions that take into account prior credit risk and loss history, current and expected future market conditions and individual debtor circumstances.

The Company adopts the simplified approach permitted by NZ IFRS 9 with regard to non-insurance trade receivables and calculates the provision with reference to lifetime ECLs. For other receivables, the provision is based on the portion of lifetime ECLs that result from possible default events within 12 months from the reporting date unless there has been a significant increase in credit risk since initial recognition in which case the provision is based on lifetime ECLs.

Any increase or decrease in the provision for impairment is recognised in the statement of profit or loss and other comprehensive income. When a receivable is uncollectable, it is written off against the provision for impairment account. Subsequent recoveries of amounts previously written off are credits against expenses.

(2.12) Fair Value of Financial Assets and Liabilities

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

The 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.

(2.13) Cash and Cash Equivalents

Cash and cash equivalents include deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Cash and cash equivalents are carried at face value of the amounts deposited. The carrying amounts approximate their fair value.

(2.14) Leases

The Company leases various offices and equipment. Rental contracts are typically made for fixed periods of one to six years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on the relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.14) Leases (continued)

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses a single discount rate for leases with a tenure of 5 years and less and another for leases with a tenure over 5 years. These discount rates will be determined by reference to risk-free interest rates adjusted for the credit risk of the Company.

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Company does not have any low-value leased assets.

Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

(2.15) Investment and other revenue recognition

Investment revenue is measured to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Interest revenue relating to cash is recognised using the effective interest method and bonds using the applicable coupon rate.

Other revenue is recognised in the statement of profit and loss and other comprehensive income when the services have been performed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.16) Payables

Payables are initially recognised at fair value and are subsequently measured at cost. Payables represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually settled within 30 days of recognition for unrelated creditors and within 90 days for related parties.

(2.17) Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

(2.18) Employee Benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of the employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as due within 12 months employee benefit obligations in the statement of financial position.

(ii) Other long-tern employee benefit obligations
Liabilities for long service leave and annual leave not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the profit or loss.

(iii) Pension obligations
The Company operates defined contribution pension plans. The scheme is funded through payments to a trust administered fund. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits to employee service in the current and prior periods.

(iv) Share- based compensation
Share-based compensation benefits are provided to employees under the corporate long-term incentive plan which provides for the granting of restricted stock awards and restricted stock options. The grants are for stock in Chubb Limited (the Ultimate Parent entity). For restricted share awards the value of shares on the grant date is expensed over the period that the shares vest.

The fair value of the share options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(v) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the latter case, termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.18) Employee Benefits (continued)

(vi) Bonus plans
The Company recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. A provision is recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

(2.19) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate.

Make good provision
The Company is required to restore leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. For new make good provisions arising from 1 January 2019, these costs will be capitalised as part of right-of-use assets and amortised over the shorter of the asset's useful life and the lease term on a straight-line basis. Make good provisions in existence at 1 January 2019 have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(2.20) Intangible assets

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use it
- there is an ability to use the software
- it can be demonstrated how the software will generate future economic benefits
- adequate technical, financial and other resources to complete the development and to use the software are available, and
- the expenditure attributable to the software during its development can be readily measured.

Directly attributable costs that are capitalised as part of the software include costs of contractors, employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. The Company amortises intangible assets using the straight-line method over the period of the expected useful life. Developed software has been amortised over a period of 4 to 8 years.

(2.21) Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows:

(a) Operating activities include all transactions and other events that are not investing or financing activities;
(b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments include securities not falling within the definition of cash;
(c) Financing activities are those activities that result in changes in size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to capital structure are included in financing activities; and
(d) Cash is considered to be current accounts in banks, and deposits on call, net of bank overdrafts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2.22) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the tax authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense as applicable.

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as receivable or a payable in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the IRD is classified as operating cash flow.

(2.23) Comparatives

Comparative figures are, where appropriate, reclassified to be comparable with the figures in the current year. Comparatives have been restated, as necessary, on adoption of NZ IFRS 17.

(2.24) Changes in accounting policies

Other than the items described in 2.1 (i), there have been no significant changes in accounting policies during the current period. Accounting policies have been applied on a basis consistent with the prior year, where applicable.

3. RISK AND CAPITAL MANAGEMENT

The financial condition and operation of the Company are affected by a number of key risks including insurance risk, expense risk and financial risk. The Company's policies and procedures in respect of managing these risks are set out below.

INSURANCE RISK

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to the expectations at the time of underwriting. This includes underwriting, catastrophe, claims concentration and claims estimation risks.

The risks inherent in any single insurance contract are the possibility of the insured event occurring and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, these risks are random and unpredictable. In relation to the pricing of individual insurance contracts and the determination of the level of the liability for incurred claims in relation to a portfolio of insurance contracts, the principal risk is that the ultimate claims payments will exceed the carrying amount of the provision established.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability around the expected outcome will be. In addition, a more diversified insurance company is less likely to be affected by a change in any one specific portfolio.

(i) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks
Risk management forms part of management's responsibilities and is integrated into the Company's planning process.

3. RISK AND CAPITAL MANAGEMENT (continued)

INSURANCE RISK (continued)

The Company's policies and procedures, processes and controls are designed to manage risk. These systems address all material risks, financial and non-financial, likely to be faced by the Company. The Board, aided by the Board Audit and Risk Committee directs and monitors implementation, practice and performance throughout the organisation. Key processes and controls include:

- employment of consistent, disciplined pricing and risk selection in order to maintain a profitable book of business;
- a formal underwriting review process to periodically test compliance standards and guidelines;
- employment of catastrophe loss and risk modelling techniques to ensure that risks are well distributed and those loss potentials are contained within our financial capacity;
- centrally coordinated reinsurance management facilitates appropriate risk transfer and efficient cost-effective use of external reinsurance markets. Reinsurance is placed with a select group of only the most financially secure and experienced companies in the reinsurance industry;
- the maintenance and use of information systems provide up to date and reliable data, thus ensuring integrity of data to management and financial models;
- claims management team ensures there is consistent approach to reserving practices and the settlement of claims;
- all operating units and functional areas are subject to review by a corporate audit team that regularly carries out operational audits; and
- specific guidelines and mandates with respect to investment assets including an independent Investment Committee.

(ii) Terms and conditions of insurance and inwards reinsurance business
The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Company. The majority of direct insurance contracts written are entered into on a standard form basis. Inwards reinsurance contracts are subject to substantially the same conditions. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

(iii) Concentration of insurance risks

The Company's exposure to concentrations of insurance risk is mitigated by a diverse portfolio of business written across a broad range of locations and industries in New Zealand.

The Company has a specific concentration risk associated with natural catastrophes, primarily earthquakes. This risk is mitigated through a combination of underwriting strategy, management of risk accumulations and ensuring adequate catastrophe reinsurance cover is in place to limit exposure to any single event.

(iv) Development of claims
There is a possibility that changes may occur in the estimate of the Company's obligations at the end of a contract period. The tables in note 9(c) show the estimates of total claims outstanding for each underwriting year at successive year ends.

(v) Interest rate risk
The Company's exposure to interest rate risk is set out in note 3 Financial risk and the weighted average interest rates of financial assets are set out in note 11.

(vi) Credit risk
The Company's exposure to credit risk is set out in note 3 Financial risk.

EXPENSE RISK

Expense risk is the risk of unexpected increases in policy maintenance, claim handling and other costs relating to fulfilment of insurance contracts. The risk is managed through budgeting and periodic cost evaluations.

3. RISK AND CAPITAL MANAGEMENT (continued)

FINANCIAL RISK

The Company's principal financial instruments comprise cash and cash equivalents, premiums receivable, interest receivable, reinsurance recoveries on paid claims, other receivables, financial assets at fair value through profit or loss, amounts payable to reinsurers and other payables.

The Company's operations are exposed to a variety of financial risks including market risk (including currency and interest rate risks), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

The Company's principal investment objective is to ensure that funds will be available to meet its primary insurance and reinsurance obligations. Within this broad liquidity constraint, the investment portfolio's structure seeks to maximise return subject to specifically approved guidelines of overall asset classes, credit quality, liquidity and volatility of expected returns. As such, the investment portfolio is invested primarily in investment-grade fixed income securities as measured by the major rating agencies.

The Investment Committee conducts quarterly reviews with the fund manager on the portfolio's performance and ensures investment mandates as set by the Company are adhered to.

(a) Market Risk
Market risk represents the potential for loss due to adverse changes in the fair value of financial instruments.

i) Market risk - currency risk
The Company's only significant exposure to foreign currency risk is in relation to cash and cash equivalents, insurance contract liabilities, reinsurance contract assets, other receivables and payables.

At reporting date, the Company has the following financial assets and liabilities exposed to movements in foreign exchange rates.

	2023 $'000	2022 (restated) $'000
Cash and cash equivalents:		
United States dollars	1,957	7,674
	1,957	7,674
Reinsurance contract assets:		
United States dollars	1,243	907
Australian dollars	607	81
Euro dollars	333	1
	2,183	989
Other receivables:		
United States dollars	111	398
Euro dollars	160	148
	271	546
Insurance contract liabilities:		
United States dollars	(6,929)	(2,334)
Australian dollars	(612)	(1,225)
Euro dollars	(226)	(821)
	(7,767)	(4,380)
Payables:		
Australian dollars	(805)	(64)
United States dollars	(345)	(1,648)
	(1,150)	(1,712)

3. RISK AND CAPITAL MANAGEMENT (continued)

The Company monitors its exposure to foreign currency risk on a quarterly basis and has a policy of settling all invoices on a timely basis, the majority relating to related parties, thereby reducing exposure to movements in foreign exchange rates.

The following sensitivity analysis is based on foreign currency risk exposures in existence at year end. At year end, had the New Zealand dollar moved, as illustrated in the table below, with all other variables held constant, profit after tax and equity would have been affected as follows:

Judgements of reasonably possible movements:	Profit after tax higher/(lower)		Equity higher/(lower)	
	2023	2022	2023	2022
	$NZ'000	$NZ'000	NZ'000	NZ'000
NZD/USD + 10%	370	200	370	200
NZD/USD - 10%	(281)	517	(281)	517
NZD/EUR + 10%	(17)	43	(17)	43
NZD/EUR - 10%	21	(52)	21	(52)
NZD/AUD +10%	30	73	30	73
NZD/AUD - 10%	1	(88)	1	(88)

A sensitivity of 10% is considered reasonable with reference to the actual movement in exchange rates over the last 3 years.

The overall increase/decrease in the impact on profit after tax between 2023 and 2022 reflects the net increase/decrease in the balances at each year end date.

ii) Market risk – interest rate risk
The Company's exposure to market interest rates relates primarily to their impact on market values of financial assets at fair value through profit or loss, on interest earned on cash and cash equivalents and these financial assets and the impact on insurance contract liabilities and reinsurance contract assets.

The Company manages its exposure to interest rate risk through adopting a conservative investment philosophy and investing largely in fixed interest products, predominantly corporate, government and semi-government bonds.

The Company manages interest rate risk primarily by matching the timing of cash flows from debt instruments with the timing of cash flows from insurance and reinsurance contracts. Interest rate risk exposure that remains outside the exposure limits is mitigated through interest rate derivatives.

The Company monitors interest rate risk by calculating the mean duration of the investment portfolio and the insurance contracts. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in interest rates. The mean duration of insurance liabilities is determined by means of projecting expected cash flows from the contracts.

The mean duration of the assets is calculated in a consistent manner. Any gap between the mean duration of the assets and the mean duration of the liabilities is minimised by means of buying and selling fixed-interest securities of different durations.

Refer *to (c) Liquidity risk* for a maturity analysis.

3. RISK AND CAPITAL MANAGEMENT (continued)

(b) Credit risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents, interest receivable, financial assets at fair value through profit or loss and asset for incurred claims. The Company's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company minimises credit risk in relation to premiums receivable by incorporating a credit approval process for Broker appointments and including a credit risk assessment of the majority of insureds in its underwriting guidelines.

Similarly, the asset for incurred claims is controlled through the majority of reinsurance arrangements being placed with related companies, along with the requirement that reinsurance only be placed with reinsurers approved by the Chubb Global Reinsurance Security Committee. In addition, the Company monitors the credit rating of reinsurers on a continual basis and requires the majority of recoveries be settled within the month following payment of the direct claim by the Company.

Credit risk in relation to cash and cash equivalents, interest receivable and financial assets at fair value through profit or loss is minimised by maintaining a diversified portfolio which minimises the risk of impact from default of a counterparty. The investment mandate places limits on allowable holdings of a single issue and issuers, with reference also to credit ratings.

The following table provides information on credit risk exposure for cash and cash equivalents, interest receivable, financial assets at fair value through profit or loss and asset for incurred claims. This table classifies assets according to S&P counterparty ratings, with AAA being the highest possible rating. Other receivables is excluded from this analysis as they comprise smaller balances which would not be individually material and are not able to be readily rated.

2023	AAA $'000	AA $'000	A $'000	BBB $'000	BB/ Unrated $'000	Total $'000
Cash and cash equivalents	-	6,857	9,559	-	-	16,416
Accrued interest receivable	674	303	60	102	45	1,184
Financial assets at fair value through profit or loss	135,429	34,315	8,070	10,343	5,930	194,087
Total interest-bearing financial assets	136,103	41,475	17,689	10,445	5,975	211,687
Asset for incurred claims	-	241,712	6,080	3	-	247,795

2022	AAA $'000	AA $'000	A $'000	BBB $'000	BB/ Unrated $'000	Total $'000
Cash and cash equivalents	-	8,290	1,127	-	-	9,417
Accrued interest receivable	612	245	76	109	40	1,082
Financial assets at fair value through profit or loss	91,114	29,400	9,486	9,323	6,862	146,185
Total interest-bearing financial assets	91,726	37,935	10,689	9,432	6,902	156,684
Asset for incurred claims	-	224,651	43,397	(28)	-	268,020

Chubb Insurance New Zealand Limited

3. RISK AND CAPITAL MANAGEMENT (continued)

(c) Liquidity risk

The Company is exposed to liquidity risk mainly through its obligations to make payments in relation to insurance activities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet our insurance and reinsurance obligations. In addition to cash held for working capital requirements, a minimum percentage of investments and cash is held in liquid, short-term money market securities to ensure that there are sufficient liquid funds available to meet these obligations. The Company's cash position is monitored daily and funding requirements are managed through a structured investment portfolio that allows flexibility in funding.

Liquidity risk controls include quarterly actuarial reviews of insurance reserves, matching asset and liability duration and cash flow monitoring.

The following table presents the estimated amount and timing of the remaining contractual discounted cash flows arising from financial assets at fair value through profit and loss and insurance liabilities (the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held measured under the PAA are not included in the table). When debt securities mature, the proceeds that are not needed to meet liability cash flows will be reinvested.

Insurance contracts issued and reinsurance contracts held have zero amounts that are payable on demand.

31 December 2023	**1 year or less**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets at fair value through profit or loss	33,734	33,273	114,281	12,799	194,087
	33,734	33,273	114,281	12,799	194,087
Insurance contract balances					
Reinsurance contract assets	166,949	40,625	34,071	6,150	247,795
Insurance contract liabilities	(188,957)	(52,285)	(49,151)	(11,004)	(301,397)
	(22,008)	(11,660)	(15,080)	(4,854)	(53,602)
Net discounted cash flows	11,726	21,613	99,201	7,945	140,485

31 December 2022	**1 year or less**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets at fair value through profit or loss	27,733	30,929	85,361	2,162	146,185
	27,733	30,929	85,361	2,162	146,185
Insurance contract balances					
Reinsurance contract assets	188,157	37,327	37,196	5,340	268,020
Insurance contract liabilities	(171,170)	(47,326)	(49,279)	(9,042)	(276,817)
	16,987	(9,999)	(12,083)	(3,702)	(8,797)
Net discounted cash flows	44,720	20,930	73,278	(1,540)	137,388

The maturity analysis of the Company's financial assets and financial liabilities is further analysed in note 13a.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

CHANGE FROM PREVIOUS PERIOD

There were no significant changes in the Company's objectives, policies and processes for managing risk and the methods used to measure risk compared to the previous period.

CAPITAL MANAGEMENT

For the purpose of managing capital, the Company's capital includes issued capital and all other components of shareholders' equity. The capital management strategy is to maintain an appropriate level of capital to protect policyholders' interests and satisfy the regulators, whilst maximising value to shareholders. The Company's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Company is capitalised to meet these internal and external requirements. This includes ensuring the Company has sufficient capital resources to maintain and grow the business in accordance with the risk appetite of the Company. Compliance with regulatory capital requirements is outlined in note 23.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

(i) Liability for incurred claims (LIC)

Provision is made at the end of the year for the estimated cost of claims incurred but not settled at the reporting date. These reserves include estimates for both claims that have been reported and those that have been incurred but not reported (IBNR), incurred but not enough reported (IBNER) and include estimates of expenses associated with processing and settling these claims.

The process of establishing reserves is subject to considerable variability as it requires the use of informed estimates and judgements which are based on numerous factors. 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 claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be apparent to the insured until many years after the events giving rise to the claims have happened. Liability and other long tail classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. Claims in respect of property and other short tail classes are typically reported soon after the claim event, and hence tend to display lower levels of volatility. The estimation techniques and assumptions used in determining the outstanding claims provision and the associated reinsurance and other recoveries are described below.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Valuation approach

Liability for incurred claims (LIC) is estimated by class of business. Historical experience and other statistical information are used to estimate the ultimate claim costs. To determine LIC for a particular line of business, more than one method may be used to estimate ultimate losses and loss expenses and these results are used to select a single point estimate. These methods may include, but are not necessarily limited to, extrapolations of historical reported and paid loss data, application of industry loss development patterns to the reported or paid losses, expected loss ratios developed by management, or historical industry loss ratios. Underlying judgements and assumptions that may be incorporated into these actuarial methods include, but are not necessarily limited to, adjustments to historical data used in models to exclude aberrations in claims data such as catastrophes that are typically analysed separately, adjustments to actuarial models and related data for known business changes, such as changes in claims covered under insurance contracts, and the effect of recent or pending litigation on future claims settlements.

Central estimate

The central estimate represents the best estimate of the present value of expected future net claims cost, including allowance for claims IBNR and the development of reported claims IBNER. The central estimate represents the best estimate of the mean of the distribution of possible outcomes for the LIC and hence contains no deliberate bias towards over or under estimation.

Central estimates for each class of business are determined by reference to a variety of estimation techniques, generally based on a statistical analysis of historical experience which assumes an underlying pattern of claims development and payment. The valuation methods used are identical to the prior year and include:

- Incurred Claim Development (ICD)
- Paid Claim Development (PCD)
- Bornhuetter-Ferguson Method (BF)
- Bornhuetter-Ferguson Method on Paid Claims (PBF)
- Loss Ratio Method (LR)

The final selected central estimates are based on a judgmental consideration of the results of each method and qualitative information, including the factors referred to above. Projections are based on both historical experience and external benchmarks where relevant.

Central estimates are first calculated gross of any reinsurance and other recoveries. Then a separate estimate is made of the amount recoverable from reinsurers based on the gross outstanding claims provision.

The LIC is discounted at risk free rates of return to reflect the time value of money. An allowance for future claim handling expenses is also incorporated in the central estimate of outstanding claims.

Risk adjustment

The risk adjustment is the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts. As it is impossible to predict future claims outcomes with certainty, a valuation judgement has to be made as to the level of reserves that offers a reasonable assurance of adequacy. Setting this level is the responsibility of the Directors. The additional probability of adequacy is provided by the addition of a risk adjustment. The margin for adverse deviation approach is used in estimating the risk adjustment whereby the overall risk adjustment was determined allowing for uncertainty of the central estimate. Uncertainty was analysed for all classes of business combined taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models and the general insurance environment. The estimate of uncertainty is greater for long tail classes when compared to short tail classes due to the longer time until settlement of outstanding claims. The assumptions regarding uncertainty for each class are applied to the gross and net central estimates, and the results are aggregated to arrive at an overall provision which is intended to have a 75% (2022: 75%) probability of sufficiency.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Assumptions

The following assumptions were made in determining the liability for incurred claims:

	2023	**2022**
Discounted average weighted term to settlement	1.71 years	1.47 years
Indirect claims handling expense rate	2.8%	2.4%
Discount rate	3.9%	4.4%

The processes used to determine these assumptions are as follows:

Discounted average weighted term to settlement

The discounted average weighted term to settlement is calculated separately by class of business based on historical payment patterns.

Indirect claims handling expense rate

The indirect claims handling expense rate is calculated separately by class of business based on historical indirect claims handling expenses as a percentage of historical payments.

Inflation rate

To reflect future claim payments, allowance must be made, either implicitly or explicitly, for future claim inflation. The inflation rate is implicit in the valuation models used so no explicit inflation rate is required. Superimposed inflation is that component of claims inflation which is over and above economic inflation, for example it may be caused by changes in legislation or judicial attitudes to the size of liability awards. This is also implicitly allowed for in the valuation models, where it is assumed future superimposed inflation will be at the average level experienced in the past.

Discount rate

Projected inflated claims payments are discounted for the time value of money based on current observable, objective rates that relate to the nature, structure and term of the future obligation. A bottom-up approach is adopted to determine the discount rate, which uses risk-free rates adjusted to reflect the liquidity characteristics of the liability cashflows. Therefore, the adopted discount rates are risk-free discount rates.

(c) Sensitivity Analysis

The Company conducts sensitivity analysis to quantify the exposure to changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variables will impact the performance and equity of the Company. The accompanying table shows how a change in each assumption will affect the LIC and shows an analysis of the sensitivity of the profit/(loss) and equity to changes in these assumptions. As no explicit inflation rate is used in the valuation no sensitivity analysis is able to be carried out for a change in the inflation rate.

Variable	**Impact of movement in variable**
Assumptions underlying the central estimate	The central estimate is determined after taking into account the valuation using the above methods outlined. There are uncertainties in the selection of assumptions for use in these methods. An increase or decrease in one or more of the key assumptions would have a corresponding decrease or increase in the central estimate.
Discounted average weighted term to settlement	A decrease in the average term to settlement rates would lead to more claims being paid sooner than anticipated. Expected payment patterns are used in determining the LIC. An increase or decrease in the average weighted term would have a corresponding decrease or increase on the level of discounting, impacting the claims expense.
Indirect claims handling expense rate	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Sensitivity Analysis (continued)

Variable	Impact of movement in variable
Discount rate	The LIC is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate would have a corresponding decrease or increase on claims expense.

Impact of changes in key variables on the LIC

2023 Variables	Movement in variable	Liability for incurred claims increase/ (decrease) $'000	Net liability for incurred claims increase/ (decrease) $'000	Profit after tax/equity increase/ (decrease) $'000
Discounted average weighted term to settlement	+0.5 years	(5,772)	(1,250)	900
	-0.5 years	5,885	1,274	(917)
Indirect claims handling expense rate	+1%	2,937	2,905	(2,091)
	-1%	(2,937)	(2,905)	2,091
Discount rate	+1%	(3,691)	(1,063)	765
	-1%	3,773	1,091	(786)

2022 Variables	Movement in variable	Liability for incurred claims increase/ (decrease) $'000	Net liability for incurred claims increase/ (decrease) $'000	Profit after tax/equity increase/ (decrease) $'000
Discounted average weighted term to settlement	+0.5 years	5,859	1,311	(944)
	-0.5 years	(5,986)	(1,339)	964
Indirect claims handling expense rate	+1%	(2,697)	(2,697)	1,942
	-1%	2,697	2,697	(1,942)
Discount rate	+1%	3,427	863	(621)
	-1%	(3,503)	(883)	636

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(ii) Assets arising from reinsurance contracts

Reinsurance recoverable includes the balances due to the Company from reinsurance companies for paid and unpaid losses and loss expenses based on contracts in force, net of uncollectible reinsurance - determined based upon a review of the financial condition of the reinsurers and other factors.

The recognition of asset for incurred claims requires two key judgements. The first involves the estimation of the gross IBNR to be ceded to reinsurers. Ceded IBNR is developed as part of the loss reserving process and consequently, its estimation is subject to similar risks and uncertainties as the estimation for gross IBNR. The second judgement involves the estimation of the amount of the reinsurance balance that ultimately will not be recovered from reinsurers due to insolvency, contractual dispute, or for other reasons. Amounts estimated to be uncollectible on unpaid losses are reflected in the reinsurance IBNR.

(iii) Unclosed business

Due to insufficient information available at the end of a reporting period to accurately identify the insurance revenue on business written with date of attachment of risk prior to the reporting date, provision is made at the end of the financial period to estimate the Company's unclosed business. Unclosed business is estimated using historical data which measures effective date of the transaction against processing date. From this data, patterns are modelled, and ultimate insurance revenue, and associated insurance service expense and net expense/recovery from reinsurance contracts, is recorded. This estimation is adjusted for the impact of recent trends and events.

(iv) Make good provisions

A provision has been made for the present value of anticipated costs of future restoration of leased office premises. The provision includes future cost estimates associated with office dismantling and requires assumptions as to engineering and building costs involved. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each location is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the statement of financial position by adjusting both the asset and provision. The related carrying amounts are included in the determination of right-of-use assets disclosed in note 15.

5. INSURANCE SERVICE RESULT

	2023 $'000	2022 (RESTATED) $'000
Insurance revenue		
Insurance revenue	255,246	237,197
Total insurance revenue	255,246	237,197
Insurance service expenses		
Incurred claims and other attributable expenses	(215,102)	(215,827)
Insurance direct acquisition cash flows amortisation	(30,137)	(31,149)
Insurance indirect acquisition cash flows amortisation	(8,926)	(8,258)
Total insurance service expenses	(254,165)	(255,234)
Net expenses from reinsurance contracts held		
Reinsurance expenses	(119,996)	(110,012)
Recoveries of incurred claims and other insurance service expenses	169,134	158,886
Total net recovery from reinsurance contracts held	49,138	48,874
Total insurance service result	50,219	30,837

6. NET INSURANCE FINANCE INCOME/(EXPENSES)

	2023 $'000	2022 (RESTATED) $'000
Finance income/(expenses) from insurance contracts issued		
Interest accreted	(11,430)	(5,877)
Effect of changes in interest rates and other finance assumptions	606	8,681
Finance income/(expenses) from insurance contracts held	(10,824)	2,804
Finance income/(expenses) from reinsurance contracts held		
Interest accreted	9,278	4,621
Effect of changes in interest rates and other finance assumptions	(655)	(6,505)
Finance income/(expenses) from reinsurance contracts held	8,623	(1,884)
Net insurance finance income/(expenses)	(2,201)	920

7. INVESTMENT INCOME/(LOSS)

	2023 $'000	2022 (RESTATED) $'000
Interest	5,891	4,879
Net unrealised gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss	4,830	(7,451)
Net realised gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss	199	(1,691)
Net investment income/(loss)	10,920	(4,263)

8. OTHER EXPENSES

Net profit after tax for the year is arrived at after charging/(crediting) the following items:

	2023 $'000	2022 (RESTATED) $'000
Employee costs (excluding contribution to Kiwisaver)	12,042	9,956
Contribution to Kiwisaver	764	724
Minimum lease payments relating to operating leases	445	447
Depreciation and amortisation	756	659
Interest and finance charges paid/payable for lease liabilities	33	28
Net foreign exchange losses	(1,923)	(388)

9. INSURANCE AND REINSURANCE CONTRACTS

(a) Movements in net insurance contract liabilities

	31 December 2023					31 December 2022 (Restated)				
	Liability for remaining coverage		Liability for incurred claims			Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component $'000	Loss component $'000	Present value of future cash flows $'000	Risk adjustment $'000	Total $'000	Excluding loss component $'000	Loss component $'000	Present value of future cash flows $'000	Risk adjustment $'000	Total $'000
Insurance contract liabilities at 1 January	80,995	-	246,754	30,063	357,812	80,189	-	269,928	32,811	382,928
Insurance revenue	(255,246)	-	-	-	(255,246)	(237,197)	-	-	-	(237,197)
Incurred claims and other attributable expenses	-	-	235,402	14,767	250,169	-	-	95,801	(788)	95,013
Amortisation of insurance acquisition cash flows	39,063	-	-	-	39,063	39,407	-	-	-	39,407
Changes that relate to past service liabilities - prior accident years	-	-	(20,563)	(14,504)	(35,067)	-	-	122,774	(1,960)	120,814
Losses and reversal of losses on onerous contracts	-	-	-	-	-	-	-	-	-	-
Insurance service expenses	39,063	-	214,839	263	254,165	39,407	-	218,575	(2,748)	255,234
Insurance service result	(216,183)	-	214,839	263	(1,081)	(197,790)	-	218,575	(2,748)	18,037
Insurance finance expenses/(income)	-	-	10,824	-	10,824	-	-	(2,804)	-	(2,804)
Statement of comprehensive income	(216,183)	-	225,663	263	9,743	(197,790)	-	215,771	(2,748)	15,233
Cash flows										-
Premium received	259,242	-	-	-	259,242	236,310	-	-	-	236,310
Acquisition costs paid	(37,287)	-	-	-	(37,287)	(37,714)	-	-	-	(37,714)
Claims and expenses paid	-	-	(201,346)	-	(201,346)	-	-	(238,945)	-	(238,945)
Total cash flows	221,955	-	(201,346)	-	20,609	198,596	-	(238,945)	-	(40,349)
Insurance contract liabilities at balance date	86,767	-	271,071	30,326	388,164	80,995	-	246,754	30,063	357,812
Current					266,808					244,080
Non-current					121,356					113,732
					388,164					357,812

This roll forward includes Life Insurance business which should be disclosed separately since it is being accounted for under the GMM. Within the liability for remaining coverage insurance revenue is $25,493 in relation to life insurance business premiums and included within the liability for incurred claims is an amount of $807,000 relating to life insurance business.

Chubb Insurance New Zealand Limited

(b) INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

(c) Movements in net reinsurance contract assets

	31 December 2023					31 December 2022 (Restated)				
	Asset for remaining coverage		Asset for incurred claims			Asset for remaining coverage		Asset for incurred claims		
	Excluding loss component $'000	Loss component $'000	Present value of future cash flows $'000	Risk adjustment $'000	Total $'000	Excluding loss component $'000	Loss component $'000	Present value of future cash flows $'000	Risk adjustment $'000	Total $'000
Reinsurance contract assets at 1 January	(22,641)	-	244,443	23,577	245,379	15,535	-	232,940	27,665	276,140
Reinsurance expenses	(119,996)	-	-	-	(119,996)	(110,012)	-	-	-	(110,012)
Recovery of incurred claims and other expenses	10,465	-	165,059	11,593	187,117	8,768	-	49,442	(1,015)	57,195
Changes that relate to past service assets – prior accident years	-	-	(7,288)	(10,695)	(17,983)	-	-	104,764	(3,073)	101,691
Recovery of onerous contracts losses and reversals of those recoveries	-	-	-	-	-	-	-	-	-	-
Reinsurance income	10,465	-	157,771	898	169,134	8,768	-	154,206	(4,088)	158,886
Insurance service result	(109,531)	-	157,771	898	49,138	(101,244)	-	154,206	(4,088)	48,874
Reinsurance finance income/(expenses)	-	-	8,623	-	8,623	-	-	(1,884)	-	(1,884)
Statement of comprehensive income	(109,531)	-	166,394	898	57,761	(101,244)	-	152,322	(4,088)	46,990
Cash flows					-					-
Premium paid net of ceding commissions received	141,570	-	-	-	141,570	63,068	-	-	-	63,068
Recoveries received	-	-	(187,517)	-	(187,517)	-	-	(140,819)	-	(140,819)
Total cash flows	141,570	-	(187,517)	-	(45,947)	63,068	-	(140,819)	-	(77,751)
Reinsurance contract assets at balance date	9,398	-	223,320	24,475	257,193	(22,641)	-	244,443	23,577	245,379
Current					175,268					164,422
Non-current					81,925					80,957
					257,193					245,379

This roll forward includes life insurance business which should be disclosed separately since it is being accounted for under the GMM. Within the asset for remaining coverage reinsurance expenses is $17,845 in relation to life insurance business ceded premiums and included within the asset for incurred claims is an amount of $567,000 relating to life insurance business.

9. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

(c) Claims development tables

The following table shows the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the ten most recent accident years.

(i) Gross

Accident year	Prior $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	Total $'000
Estimate of ultimate claims cost:												
At end of accident year		7,008	8,689	8,230	14,588	11,416	21,596	22,684	26,812	31,430	35,803	
One year later		8,326	8,397	7,349	15,605	11,143	45,530	18,931	20,339	26,185	-	
Two years later		6,189	7,063	10,859	13,257	9,319	45,375	14,024	16,366	-	-	
Three years later		4,627	5,547	10,395	12,866	7,559	47,938	11,459	-	-	-	
Four years later		1,752	4,970	9,619	12,377	7,098	56,270	-	-	-	-	
Five years later		1,964	4,953	9,281	14,736	6,700	-	-	-	-	-	
Six years later		1,648	5,590	8,843	13,185	-	-	-	-	-	-	
Seven years later		1,411	5,134	8,983	-	-	-	-	-	-	-	
Eight years later		1,143	4,918	-	-	-	-	-	-	-	-	
Nine years later		978	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims cost		978	4,918	8,983	13,185	6,700	56,270	11,459	16,366	26,185	35,803	
Cumulative payments		(1,006)	(4,721)	(8,476)	(11,951)	(5,116)	(20,428)	(5,810)	(6,937)	(3,576)	(592)	
Gross LIC - undiscounted	(100)	(28)	197	506	1,233	1,584	35,842	5,649	9,429	22,609	35,211	112,132
Discount	8	2	(15)	(39)	(94)	(121)	(2,745)	(433)	(722)	(1,732)	(3,646)	(9,537)
Short tail incurred claims [1]												160,789
NZ Life incurred claims												807
Claims handling expenses												7,246
Risk adjustment												30,326
Total gross LIC per statement of financial position												301,763

[1] Short tail claims are not included in the development tables on the basis that they are typically settled within one year.

9. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

(c) Claims development tables (continued)

(ii) Net

Accident year	Prior $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	Total $'000
Estimate of ultimate claims cost:												
At end of accident year		3,732	4,074	3,225	6,162	6,294	8,238	11,480	12,403	13,758	17,996	
One year later		3,461	4,358	2,894	6,835	6,534	9,037	9,925	10,278	10,846	-	
Two years later		3,155	4,267	5,156	5,411	6,128	6,226	8,375	8,820	-	-	
Three years later		2,960	3,442	5,107	5,592	5,246	5,293	7,578	-	-	-	
Four years later		1,103	3,239	4,684	5,665	5,377	6,261	-	-	-	-	
Five years later		1,256	3,000	4,213	6,198	5,332	-	-	-	-	-	
Six years later		838	2,617	4,576	5,941	-	-	-	-	-	-	
Seven years later		2,479	3,105	4,578	-	-	-	-	-	-	-	
Eight years later		2,209	3,813	-	-	-	-	-	-	-	-	
Nine years later		857	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims cost		857	3,813	4,578	5,941	5,332	6,261	7,578	8,820	10,846	17,996	
Cumulative payments		(899)	(3,691)	(4,353)	(5,204)	(4,671)	(5,076)	(5,116)	(4,948)	(2,620)	(551)	
Net LIC - undiscounted	(472)	(42)	122	225	737	661	1,185	2,462	3,872	8,226	17,445	34,421
Discount	40	3	(10)	(19)	(63)	(57)	(102)	(211)	(332)	(705)	(1,855)	(3,311)
Short tail incurred claims [1]												20,891
NZ Life claims incurred												240
Claims handling expenses												7,246
Risk adjustment												5,851
Total net LIC per statement of financial position												65,338

[1] Short tail claims are not included in the development tables on the basis that they are typically settled within one year.

	2023 $'000	2022 (RESTATED) $'000

10. INCOME TAX

(i) Statement of profit or loss and other comprehensive income

	2023 $'000	2022 (RESTATED) $'000
Current income tax		
Current tax on profits for the year	12,699	5,249
Adjustment for current tax of prior periods	94	(297)
Total current tax expense	12,793	4,952
Deferred income tax		
Adjustment for deferred tax of prior periods	-	(210)
Adjustments on adoption of NZ IFRS 17	-	(217)
Relating to origination and reversal of temporary differences	361	(759)
Total deferred tax expense	361	(1,186)
Income tax expense	13,154	3,766

(ii) Reconciliation of income tax expense to prima facie tax payable

	2023 $'000	2022 (RESTATED) $'000
Profit before income tax	46,568	15,236
Prima facie tax payable at 28% (2022: 28%)	13,039	4,266
Expenditure not deductible for tax purposes	21	7
Adjustments for tax of prior periods	94	(507)
Income tax expense	13,154	3,766

(iii) Deferred tax

	Statement of profit or loss		Statement of financial position	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Depreciation	18	20	61	43
Accrued expenses	793	213	3,118	2,325
Employee benefits	(3)	7	188	191
Right-of-use assets	-	-	-	-
Prior year adjustment	-	210	-	-
Lease liabilities	6	2	50	44
Deferred acquisition cost	(554)	517	(4,222)	(3,668)
Adjustment to retained earnings on adoption of NZ IFRS 17	(621)	217	-	621
Deferred tax, net	(361)	1,186	(805)	(444)

10. INCOME TAX (continued)

(iii) Deferred tax (continued)

Amounts recognised in the statement of financial position

	2023 $'000	2022 (RESTATED) $'000
Total deferred tax assets	3,417	3,224
Total deferred tax liabilities	(4,222)	(3,668)
Deferred tax liabilities, net	(805)	(444)
Movement in deferred tax:		
At 1 January	(444)	(1,630)
Credited/(Charged) to statement of profit or loss and other comprehensive income	(361)	1,186
Closing balance at 31 December	(805)	(444)

(iv) Current tax receivable

Movements in income tax payable:		
At 1 January	7,154	1,375
Charged to profit or loss – current year	(12,793)	(4,952)
Payments to tax authorities	8,973	10,731
Closing balance at 31 December	3,334	7,154
Imputation credits		
Balance at the beginning of the year	91,003	80,621
Tax payments (net of refunds)	8,848	10,382
Movement in current tax provision	-	-
	99,851	91,003

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for imputation credits that will arise from the payment of the amount of the provision for income tax.

According to the Pillar Two model rules, Chubb Limited group may be subject to a top-up tax payment calculated as the variance between the tax rate under Pillar Two and a 15% minimum tax rate.

The effective tax rate for the Company is well above the minimum tax rate, and as such the Company is unlikely to be impacted.

	2023 $'000	2022 $'000

11. CASH AND CASH EQUIVALENTS

	2023 $'000	2022 $'000
Cash at bank	14,106	8,303
Deposits at call	2,310	1,114
	16,416	9,417

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Company. They earn interest at the respective short-term deposit rates.

The following sensitivity analysis is based on interest rate risk exposures in existence at reporting date.

At reporting date, if interest rates had moved by 50bps, with all other variables constant, profit after tax and equity would have been affected as follows:

	Profit after tax higher/(lower)		Equity higher/(lower)	
	2023 $'000	2022 $ '000	2023 $'000	2022 $'000
Cash at bank				
+ 50 bps	51	30	51	30
- 50 bps	(51)	(30)	(51)	(30)

This sensitivity was determined by the Company as a fluctuation that could be reasonably expected to occur in the coming year.

The movements in profit after tax in relation to cash at bank are due to expected higher/lower interest on bank account balances as a result of the possible movements in interest rates.

	2023 $'000	2022 (RESTATED) $'000

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 $'000	2022 (RESTATED) $'000
Government bonds	114,857	75,616
Corporate bonds	79,230	70,569
Total financial assets at fair value through profit or loss	194,087	146,185
Amounts maturing within 12 months	33,734	27,733
Amounts maturing in greater than 12 months	160,353	118,452
	194,087	146,185

The fair value of investments has been determined based on quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data (Level 2).

The following analysis illustrates the credit rating of financial assets as at the end of the reporting period.

S&P rating	2023	2022
AAA	70%	62%
AA	18%	20%
A	4%	6%
BBB	5%	7%
Unrated[1]	3%	5%
Total	100%	100%

[1]. This represents financial assets unrated by S&P but rated by Moody's as A1, Aa2 and Baa2.

A sensitivity analysis has been carried out on the portfolio as at the end of the 2022 and 2023 reporting periods. The sensitivity analysis has been performed on the portfolio using a movement in credit spreads. The table below shows the following increases/decreases on the portfolio from a decrease/increase in the interest rates of 100 bps:

	Upgraded Impact on Investments $'000	Downgraded Impact on Investments $'000	Upgraded Impact on Equity $'000	Downgraded Impact on Equity $'000
2023	1,826	(1,826)	1,315	(1,315)
2022	1,448	(1,448)	1,042	(1,042)

Using portfolio duration as a measure, an upward/downward parallel shift in the yield curve of 1% would result in the following decreases/increases to the portfolio:

	Upward Impact on Investments $'000	Downward Impact on Investments $'000	Upward Impact on Equity $'000	Downward Impact on Equity $'000
2023	(4,753)	4,753	(3,422)	3,422
2022	(3,294)	3,294	(2,372)	2,372

13. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The Company's exposure to interest rate risk is managed primarily through adjustments to existing investment portfolios. The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

			Fixed interest maturing in:							
2023		**Floating interest rate**	**1 year or less**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 4 years**	**Over 4 to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets										
Cash and cash equivalents	11	16,416	-	-	-	-	-	-	-	16,416
Other receivables	14	-	-	-	-	-	-	-	22,184	22,184
Financial assets at fair value through profit or loss	12	-	33,734	33,273	42,653	40,178	31,450	12,799	-	194,087
		16,416	33,734	33,273	42,653	40,178	31,450	12,799	22,184	232,687
Weighted average interest rate		4.64%	5.76%	5.15%	4.58%	4.36%	4.48%	4.31%	-	
Financial liabilities										
Payables	18	-	-	-	-	-	-	-	16,869	16,869
Lease Liabilities	19	-	430	421	71	-	-	-	-	922
		-	430	421	71	-	-	-	16,869	17,791
Weighted average interest rate		-	3.84%	3.79%	3.38%	-	-	-		

2022		**Floating interest rate**	**1 year or less**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 4 years**	**Over 4 to 5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets										
Cash and cash equivalents	11	9,417	-	-	-	-	-	-	-	9,417
Other receivables	14	-	-	-	-	-	-	-	35,078	35,078
Financial assets at fair value through profit or loss	12	-	27,733	30,929	30,841	24,598	29,922	2,162	-	146,185
		9,417	27,733	30,929	30,841	24,598	29,922	2,162	35,078	190,680
Weighted average interest rate		2.61%	5.07%	5.82%	5.31%	4.99%	4.66%	5.44%	-	
Financial liabilities										
Payables	18	-	-	-	-	-	-	-	16,956	16,956
Lease Liabilities	19	-	414	434	425	72	-	-	-	1,345
		-	414	434	425	72	-	-	16,956	18,301
Weighted average interest rate		-	3.82%	3.84%	3.79%	3.38%	-	-		

13. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk exposure

The Company is exposed to liquidity risk mainly through its obligations to make payments in relation to insurance activities.

In addition to cash held for working capital requirements, a minimum percentage of investments and cash is held in liquid, short-term money market securities to ensure that there are sufficient liquid funds available to meet insurance obligations. The maturity of the Company's interest-bearing financial assets is included in table in note 13(a).

(c) Fair value measurement of financial assets and liabilities

Assets and liabilities recorded at fair value in the statement of financial position are measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the market place used to measure the fair values as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
Level 2: the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices), and
Level 3: inputs that are not based on observable market data.

The following table presents information about assets carried at fair value and indicates the level of fair value measurement based on the levels of the input used. The fair value of investments has been determined based on quoted prices in active markets for similar assets or liabilities. There have been no transfers between levels of the fair value hierarchy during the current financial period (2022: nil).

	Fair value hierarchy			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair value $'000
As at 31 December 2023:				
Government bonds	-	114,857	-	114,857
Corporate bonds	-	79,230	-	79,230
	-	194,087	-	194,087
As at 31 December 2022:				
Government bonds	-	75,616	-	75,616
Corporate bonds	-	70,569	-	70,569
	-	146,185	-	146,185

The fair value of other financial assets and financial liabilities approximate their carrying amounts.

	2023 $'000	2022 (Restated) $'000
14. OTHER RECEIVABLES		
Premiums received by intermediaries	17,578	13,964
Net taxes receivable on insurance premiums	6,945	9,353
Loss allowance	-	-
	24,523	23,317
Other receivables	(2,339)	11,761
Total other receivables	22,184	35,078
Receivable within 12 months	22,184	35,078

a) Fair value

Due to the short-term nature of these receivables, their carrying amount is considered to be the same as their fair value.

b) Impairment of financial assets

Other than any provision raised for premium received by intermediaries and net taxes receivable on insurance premiums, there were no past due but not impaired receivables to disclose.

15. RIGHT-OF-USE LEASE ASSETS

	2023 $'000	2022 (Restated) $'000
Buildings		
Cost	2,279	2,279
Accumulated amortisation	(1,428)	(1,018)
Net book amount	851	1,261
Equipment		
Cost	15	31
Accumulated amortisation	(5)	(5)
Net book amount	10	26
Total right-of-use assets		
Cost	2,294	2,310
Accumulated amortisation	(1,433)	(1,023)
Net book amount	861	1,287
Movements		
Buildings		
As at 1 January	1,261	1,182
Additions	-	481
Derecognition	-	-
Amortisation charge	(410)	(402)
As at 31 December	851	1,261
Equipment		
As at 1 January	26	-
Additions	-	31
Derecognition	(16)	-
Amortisation charge	-	(5)
As at 31 December	10	26
Total right-of-use assets	861	1,287

16. PROPERTY, PLANT AND EQUIPMENT

	2023 $'000	2022 (Restated) $'000
Office equipment and fittings		
Cost	1,149	1,014
Accumulated depreciation	(907)	(921)
Net book value	242	93
Leasehold improvements		
Cost	1,947	1,947
Accumulated amortisation	(1,619)	(1,444)
Net book value	328	503
Total property, plant and equipment		
Cost	3,096	2,961
Accumulated amortisation	(2,526)	(2,365)
Net book value	570	596

Movements

	2023 $'000	2022 (Restated) $'000
Office equipment and fittings		
At 31 December:		
Opening net book value	93	148
Additions	239	22
Disposal	(48)	-
Depreciation charge for year	(82)	(77)
Work in progress	40	-
Closing net book value	242	93
Leasehold improvements		
At 31 December:		
Opening net book value	503	678
Depreciation charge for year	(175)	(175)
Closing net book value	328	503
Total property, plant and equipment	570	596

17. INTANGIBLE ASSETS

	2023 $'000	2022 (Restated) $'000
Cost	1,754	1,655
Accumulated amortisation	(1,031)	(942)
Net book amount	723	713

Movements

	2023 $'000	2022 (Restated) $'000
As at 1 January	713	370
Additions	559	29
Amortisation charge	(89)	-
Work-in-progress	(460)	314
As at 31 December	723	713
Remaining useful life	3.4	-

Intangibles comprises purchased and internally generated software. For the accounting policy relevant to intangible assets see note 2.20.

	2023 $'000	2022 (RESTATED) $'000

18. PAYABLES

	2023 $'000	2022 (Restated) $'000
Employee benefit obligations	1,699	1,219
Indirect taxes and levies payable	2,166	1,982
Withholding tax payable	6,117	5,395
Other creditors and accruals	6,887	8,360
Payables	16,869	16,956
Payable within 12 months	16,869	16,956
	16,869	16,956

19. LEASE LIABILITIES

	2023 $'000	2022 (Restated) $'000
Buildings	912	1,318
Equipment	10	27
	922	1,345

Movements

	2023 $'000	2022 (Restated) $'000
Buildings		
As at 1 January	1,318	1,251
Additions	-	481
Interest expense	33	28
Lease payments	(439)	(442)
As at 31 December	912	1,318
Equipment		
As at 1 January	27	-
Derecognition	(11)	-
Lease payments	(6)	27
As at 31 December	10	27
Total Lease liabilities	922	1,345
To be incurred no more than 12 months	430	414
To be incurred in more than 12 months	492	931
	922	1,345

20. PROVISIONS

		2023 $'000	2022 (restated) $'000
Employee benefits	(a)	671	683
Leasehold make good	(b)	155	155
		826	838
Payable in no more than 12 months		658	646
Payable in more than 12 months		168	192
		826	838
Movements			
Employee benefits			
As at 1 January		683	657
Amounts charged to profit and loss during the year		868	769
Amounts utilised during the year		(880)	(743)
As at 31 December		671	683
Leasehold make good			
As at 1 January		155	155
Amounts arising during the year		-	-
As at 31 December		155	155

(a) Employee benefits

The provision for employee benefits includes accrued annual leave and long service leave.

(b) Leasehold make good provision

In accordance with the lease agreement of the office location, the Company must restore the leased premise to the original condition at the end of the lease, which is on 31 March 2026. An estimate of the cost that will ultimately be incurred has been provided for.

21. SHARE CAPITAL

	2023	2022
Issued share capital at 1 January	16,900	16,900
Shares issued during the year	-	-
Issued share capital at 31 December	16,900	16,900

As at 31 December 2023, the Company had 16,899,558 (2022: 16,899,558) ordinary shares that were issued for 100 cents per share. All issued shares are fully paid. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Each share is entitled to one vote.

22. RETAINED PROFITS

	2023	2022
Balance at the beginning of year	51,659	53,228
Impact of initial application of NZ IFRS 17	-	(1,039)
Balance at the beginning of year after (restated)	51,659	52,189
Profit for the year	33,414	11,470
Dividends paid at $0.83 per share (2022: $0.71 per share)	(14,000)	(12,000)
Balance at 31 December	**71,073**	**51,659**

23. SOLVENCY CAPITAL REQUIREMENTS

The Company maintains a Prudential Capital Requirement (PCR) policy that provides guidance on the level of capital maintained and is approved by the Board of Directors. The objective of this policy is to hold sufficient levels of capital that is commensurate with the Company's overall risk profile and to maintain a level that enables efficient use of capital.

The Prescribed Capital Requirement required to be retained to meet solvency requirements is shown below. The Solvency Capital exceeds the Prescribed capital requirement by $61,442,000 (2022: $32,500,000).

	2023 $'000	2022 $'000
Solvency capital	100,981	69,512
Prescribed capital requirement	39,539	37,012
Solvency margin	61,442	32,500
Solvency ratio	255%	188%

The methodology and bases for determining the Solvency Margin in 2023 are in accordance with the requirements of the Interim Solvency Standard Amendment Standard 2023 as published by the Reserve Bank of New Zealand. The Life business is in run-off and not material to the Company's overall operation.

Prior year methodology and bases for determining the Solvency Margin are in accordance with the requirements of the Solvency Standards for Non-life and Life Insurance Business as published by the Reserve Bank of New Zealand.

24. COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditure commitments

There is no estimated capital expenditure under contract but not recognised as liabilities in the financial statements of the Company.

The company has no other contingent liabilities.

25. REMUNERATION OF AUDITORS

During the year the auditors of the Company, PricewaterhouseCoopers, were paid or payable for the following services:

	2023 $	2022 $
- Audit of financial statements	170,393	189,952
- Assurance procedures over regulatory return	35,749	27,806
Total remuneration	**206,142**	**217,758**

26. RELATED PARTIES

(a) Parent Entities

Chubb Insurance New Zealand Limited is a wholly owned subsidiary of Chubb INA International Holdings Ltd, registered in Delaware, United States of America. The ultimate holding company is Chubb Limited, whose principal office is located in Zurich, Switzerland.

(b) Directors and key executives

The following persons were directors of Chubb Insurance New Zealand Limited during the financial year: Andrew Brooks (executive director; resigned 29 November 2023), Peter Kelaher (executive director), Graeme Evans (non-executive Chairman), Carol Campbell (non-executive director), Craig Olsen (non-executive director; appointed 9 June 2023), Gary Seymour (non-executive director; appointed 8 June 2023).

(c) Key management compensation

Key management personnel include the directors and nineteen key roles performed by key executives during the year (2022: nineteen key roles) with the influence and authority to execute the strategic direction of the Company during the financial year. Total compensation for key management personnel is set out as follows:

	2023	**2022**
	$	**$**
Short term employee benefits	1,559,066	1,554,037
Post-employment benefits	79,709	87,336
Other long-term benefits	7,174	3,179
Termination benefits	-	8,281
Share based payments	271,439	334,716
Total	**1,917,388**	**1,987,549**

Chubb Insurance New Zealand Limited

26. RELATED PARTIES (continued)

(d) Transactions with related parties (fellow subsidiaries of Chubb Limited)

2023	**Revenues**			**Dividends**	**Expenses**				
	Incurred claims revenue	Acquisition cost revenue	Insurance revenue	Dividend to parent	Reinsurance expenses	Investment advisory services	Management and systems support	Acquisition cost expense	Incurred claims expense
	$	$	$	$	$	$	$	$	$
Chubb INA International Holdings Ltd	-	-	-	14,000,000	-	-	-	-	-
Chubb Tempest Re	144,557,838	8,877,704	-	-	89,808,436	-	-	-	-
Chubb INA Overseas Insurance Company	2,003,656	855,957	2,174,270	-	8,161,558	-	-	-	1,306,342
Chubb European Group SE	429,421	401,372	2,554,772	-	2,979,738	-	1,105,473	17,325	323,452
Chubb Asia Pacific Pte Ltd	-	-	-	-	-	-	6,733,464	-	-
Chubb Insurance Hong Kong Limited	121,168	39,525	110,213	-	393,778	-	-	434	-
Chubb Insurance Australia Limited	-	12,707	44,977	-	116,045	-	3,275,758	-	438,319
ACE America Insurance Company	-	-	1,748,549	-	0	-	-	9,108	118,058
Chubb Asset Management	-	-	-	-	0	42,365	-	-	-
Cover Direct Inc	-	-	-	-	0	-	511,739	-	-
Other related parties	(57,406)	95,792	665,810	-	1,203,777	-	91,688	36,369	(34,574,008)
Total	147,054,677	10,283,057	7,298,591	14,000,000	102,663,332	42,365	11,718,122	63,236	(32,387,837)

2022	Incurred claims revenue	Acquisition cost revenue	Insurance revenue	Dividend to parent	Reinsurance expenses	Investment advisory services	Management and systems support	Acquisition cost expense	Incurred claims expense
	$	$	$	$	$	$	$	$	$
Chubb INA International Holdings Ltd	-	-	-	12,000,000	-	-	-	-	-
Chubb Tempest Re	138,351,779	7,298,800	-		85,321,252	-	-	1,105	-
Chubb INA Overseas Insurance Company	256,486	1,022,579	2,107,139		7,430,716	-	-	-	103,441
Chubb European Group SE	587,815	322,965	1,928,484		1,794,921	-	1,383,159	24,973	1,652,456
Chubb Asia Pacific Pte Ltd	-	-	-		-	-	4,638,078	-	-
Chubb Insurance Hong Kong Limited	63,116	33,778	116,710		303,525	-	-	-	-
Chubb Insurance Australia Limited	-	8,730	28,600		70,071	-	3,275,757	-	761,953
ACE America Insurance Company	-	-	1,373,900		-	-	-	10,734	689,861
Chubb Asset Management	-	-	-		-	44,820	-	-	-
Cover Direct Inc	-	-	-		-	-	552,011	-	-
Other related parties	(29,065,830)	98,829	656,454		2,089,930	-	214,597	28,559	209,570
Total	110,193,366	8,785,681	6,211,287	12,000,000	97,010,415	44,820	10,063,602	65,371	3,417,281

26. RELATED PARTIES (continued)

(e) Outstanding balances

The Company has balances with related parties at year end in relation to receivables and payables. The balances outstanding at reporting date in relation to these receivables and payables are:

	Receivables 2023 $	Restated Receivables 2022 (restated) $	Payables 2023 $	Restated Payables 2022 (restated) $
Chubb Limited	-	-	809,992	358,429
Chubb Tempest Re	233,865,649	184,840,475	23,430,827	51,168,621
Chubb INA Overseas Insurance Company	1,439,312	2,615,348	191,643	200,206
Chubb Insurance Australia Limited	-	-	(1,153,192)	(552,272)
Chubb European Company SE	1,702,553	1,421,705	1,555,278	(1,600,175)
ACE America Insurance Company	-	-	170,557	(718,967)
Other related parties	958,307	4,278,579	2,680,046	1,642,857
Total	237,965,821	193,156,107	27,685,151	50,498,699

No impairment has been recognised in relation to any outstanding balances, and no impairment has been recognised in respect of debts due from related parties.

(f) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

27. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOWS FROM OPERATING ACTIVITIES

	2023 $000	2022 (Restated) $000
Profit for the year	33,414	11,470
Adjusted for:		
Depreciation and amortisation	756	659
Net loss on sale of plant and equipment	48	-
Fair value change on financial assets	(5,029)	9,142
Additional right-of-use asset	-	(512)
Lease liability arising on new lease commitments	-	512
Lease derecognition	(15)	-
Right-of-use-asset derecognition	15	-
Interest and finance charges on leases	33	28
Change in operating assets and liabilities:		
Increase in payables	565	2,141
Increase/(decrease) in insurance contract liabilities	30,352	(25,116)
(Decrease)/increase in provisions	(12)	26
Increase/(decrease) in deferred tax liabilities	361	(1,186)
Decrease/(increase) in other receivables	12,894	(4,601)
(Increase)/decrease in reinsurance contract assets	(11,814)	30,761
(Increase)/decrease in other assets	(46)	161
Decrease/(increase) in current tax asset	3,820	(5,780)
Net cash inflows from operating activities	**65,342**	**17,705**

28. EVENTS OCCURRING AFTER REPORTING DATE

The Company is not aware of any events subsequent to year end that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to 31 December 2023.

29. CREDIT RATING

The Company is classified as a highly strategically important operating subsidiary of Chubb Limited and has a counterparty credit and financial strength rating of 'AA-/Stable'. S&P reaffirmed the current rating on 5 September 2023.

30. SHARE BASED PAYMENT TRANSACTIONS

Chubb Limited has a restricted share grant plan, a restricted share option plan and an employee share purchase plan.

Restricted Share Grant Plan
Under Chubb Limited's long-term incentive plan, 1,232 restricted ordinary shares were awarded during the year ended 31 December 2023 (2022: 1,254) and nil (2022: nil) restricted ordinary shares were transferred to other Chubb entities due to employee transfers during the year ended 31 December 2023. These shares vest at various dates over a 4-year period from the grant dates and any unvested shares are cancelled on termination of the employment of the eligible employees. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb Limited to the Company on an annual basis. The annual expense is based on an amortised calculation that is reflective of the current year's expense portion of all restricted share grants issued in the current and prior years and is consistent with the treatment required by NZ IFRS. There is no liability to the Company for the unamortised portion of the restrictive stock grants issued. The amortised calculation incorporates the fair market value of Chubb Limited's common stock in determining the expense amount. Expected future dividend payments in relation to the restrictive stock grants issued are made directly by Chubb Limited to the eligible employees. The total revenue for the year was NZD $470,196 (2022: NZD $46,155 expense).

Restricted Share Option Plan
Under Chubb Limited's long-term incentive plan, 1,641 restrictive share options were granted to eligible employees of the Company (2022: 1,674). The exercisable price of these options is the fair market value at issue date. These options vest at various dates over a 3 year period from the grant date and any unvested options are cancelled on termination of employment. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb Limited to the Company on an annual basis. Any option not exercised or cancelled pursuant to the terms of plan will be forfeited by the tenth anniversary from the date of grant. The total value of the options granted during the year was NZD $136,384 (2022: NZD $91,824).

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2023		2022	
	Weighted average exercise price in NZD per share	**Options**	**Weighted average exercise price in NZD per share**	**Options**
At 1 January		7,768		8,124
Granted		1,641		1,674
Forfeited/cancelled	319.27	(151)	283.89	(213)
Exercised	241.93	(1,893)	207.16	(2,534)
Transferred out	-	-	249.73	(1,261)
Transferred in	-	-	252.97	1,978
At 31 December		7,365		7,768

30. SHARE BASED PAYMENT TRANSACTIONS (continued)

Out of the 7,365 outstanding options (2022: 7,768 options), 4,083 options (2022: 4,057) were exercisable. Options exercised in 2023 resulted in 1,893 shares (2022: 2,534) being issued at 241.93 NZD (2022: 207.16). The weighted average remaining life of the share options outstanding at the end of the period is 8.1 years (2022: 8.3 years).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry Year	Exercise price NZD per share	Share options 2023	Share options 2022
2023	-	-	71
2024	156.71	71	72
2025	185.89	72	183
2026	191.74	183	177
2027	225.13	177	1,210
2028	231.71	455	345
2029	216.86	345	2,059
2030	243.11	1,085	1,917
2031	267.13	1,767	1,734
2032	322.34	1,646	-
2033	337.84	1,564	-
		7,365	7,768

The fair value of stock options granted during the year as estimated on the date of grant at 83.11 NZD (2022: 54.85 NZD) NZD Black-Scholes valuation model option pricing model taking into account the terms and conditions on which the options were granted, with the following weighted average assumptions:

	2023	*2022*
Share price at grant date	329.15 NZD	307.91 NZD
Risk-free interest rate	4.07%	1.90%
Expected volatility	23.00%	20.11%
Dividend yield	1.65%	1.67%
Expected average term	5.64 years	5.81 years

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

Employee Share Purchase Plan
The Company collects monies from local eligible employees and acquires ordinary shares in Chubb Limited on behalf of the employees on a bi-annual basis. The price paid by the eligible employees is set at a discount of 15% to the fair value of the ordinary shares at the date of acquisition; this discount is incurred at the group level by Chubb Limited and not charged to the Company.

To: David Morrow

CC: Rebecca Samuel, Gerard Sitaramayya, Sue Morison

From: Stephen Wilson

Date: 15 April 2024

Re: **Chubb Insurance NZ – Section 78 Appointed Actuary's Report**

Introduction and scope

In accordance with section 78 of the Insurance (Prudential Supervision) Act 2010 (IPSA), as the appointed actuary for Chubb Insurance New Zealand Limited (CINZL), this report documents my review under section 77 of IPSA.

In particular:

- Section 77 (1) of IPSA specifies that "A licensed insurer must ensure that the actuarial information contained in, or used in the preparation of, the financial statements of the insurer and any group financial statements referred to in section 81(1) (of IPSA) is reviewed by the appointed actuary."
- Section 77 (3) specifies that the "review must be carried out in accordance with an applicable solvency standard."
- Section 77 (4) specifies that "For the purposes of this section and section 78, actuarial information means—
  - a) information relating to an insurer's calculations of premiums, claims, reserves, dividends, insurance and annuity rates, and technical provisions;
  - b) information relating to assessments of the probability of uncertain future events occurring and the financial implications for the insurer if those events do occur;
  - c) information specified in an applicable solvency standard as being actuarial information for the purposes of this section."

With respect to section 77 (4)(c) of IPSA, section 130 of the Reserve Bank of New Zealand's (RBNZ) Solvency Standard for Non-Life Business, specifies the actuarial information as:

a) the Premium Liabilities as defined in this solvency standard;

b) the Net Outstanding Claims Liability as defined in this solvency standard;

c) the reinsurance and any other recovery asset(s) relevant to the Reinsurance Recovery Risk Capital Charge;

d) any deferred acquisition cost or deferred fee revenue relevant to the Premium Liabilities; and

e) any other information deemed by the appointed actuary to warrant actuarial review.

With respect to section 77 (4)(c) of IPSA, section 144 of the RBNZ's Solvency Standard for Life Business, specifies the actuarial information as:

a) the Policy Liability;

b) the reinsurance and any other recovery asset(s) relevant to the Policy Liability, or relevant to outstanding claims reserves or incurred but not reported claims reserves held outside of the Policy Liability;

c) any deferred or other tax asset relevant to the Policy Liability;

d) any deferred acquisition cost or deferred fee revenue relevant to the Policy Liability;

e) the unvested policyholder benefits liability; and

f) any other information deemed by the appointed actuary to warrant actuarial review for the purpose of profit or solvency reporting.

CHUBB

Each of these items are addressed and documented in detail (to the extent relevant and material) in CINZL's Insurance Liability Valuation Report dated 15 April 2024

Additional analysis has been performed in the preparation of my draft Financial Condition Report dated 15 April 2024

Information required

a) Name: Stephen James Wilson

b) Work done by the actuary:

I confirm that I have reviewed the following in respect of CINZL's financial statements:

- Information relating to an insurer's calculations:
    - **Premiums**
        - Discussions and review of written, earned and unearned premium data with CINZL Finance and PwC Auditors
        - In addition, as part of my Insurance Liability Valuation (ILV) I have calculated an amount of unclosed written, earned and unearned premium, gross and net of reinsurance
    - **Claims –** As part of my Insurance Liability Valuation Report (ILVR) dated 15 April 2024 I have:
        - Reconciled the actuarial claims data with Finance claims data
        - Analysed CINZL's claims data using actuarial techniques

- **Reserves –** As part of my ILVR I have:
  - Reconciled the actuarial claim reserve data with Finance claim reserve data
  - Analysed the strength of CINZL's claims reserves using actuarial techniques
  - Had detailed discussions regarding large claim reserve with underwriting and claims departments
  - Determined Insurance Liability Reserves (including both Outstanding Claim Liabilities and Premium Liabilities) in accordance with the Reserve Bank of New Zealand's (RBNZ) Solvency Standards for Non-Life Business and Life Business
- **Dividends –** Reviewed the 2023 and proposed future level of dividends in the context of CINZL's current and forecast financial condition as part of my analysis for CINZL's Financial Condition Report (FCR) dated 15 April 2024
- **Insurance (and annuity) rates –** Reviewed the adequacy and profitability of CINZL's premium rates as part of my analysis for CINZL's FCR
- **Technical provisions –** Determined and documented as part of my ILVR

- Information relating to assessments of the probability of uncertain future events occurring and the financial implications for the insurer if those events do occur
  - An assessment of the probability of uncertain future events has been performed and documented as part of my ILVR
- Information specified in an applicable solvency standard as being actuarial information for the purposes of this section.
  - I have reviewed the information (both actuarial and non-actuarial) required under both the RBNZ's Solvency Standard for Non-Life Business and RBNZ's Solvency Standard for Life Business.
  - I confirm that my review covered:
    - Net outstanding claims as per NZ IFRS 4 including:
      - central estimate of expected claims and recoveries;
      - discounting at a risk free rate;
      - allowance for claim handling expenses; and
      - a risk margin intended to provide the specified probability of sufficiency;
    - The relevant accounting provisions (unearned premium, deferred acquisition cost, deferred reinsurance expense, deferred reinsurance commissions, and unexpired risk);

- The actuarial estimate of net premium liabilities comprising:
    - determination of the appropriate assessment period for Premium Liabilities;
    - central estimate of expected claims and recoveries;
    - discounting at a risk free rate;
    - allowance for policy administration and claim handling expenses;
    - allowance for the cost of any future reinsurance (i.e. that has not yet been purchased) required to cover unexpired risks; and
    - a risk margin intended to provide a 75% POS.
- Application of the Liability Adequacy Test
- The level of deferred acquisition cost in the financial statements after the application of the Liability Adequacy Test.

c) Scope and limitations of the review

The scope of my review has been to review the information referred to as "actuarial information" in Section 77 (4) of IPSA, and detailed above, namely:

- information relating to an insurer's calculations of premiums, claims, reserves, dividends, insurance and annuity rates, and technical provisions;
- information relating to assessments of the probability of uncertain future events occurring and the financial implications for the insurer if those events do occur;
- information specified in an applicable solvency standard as being actuarial information for the purposes of this section; and
- legal advice provided in conjunction with the compilation of the solvency return.

There have been no limitations placed on my review.

d) The existence of any relationship (other than that of actuary) that the actuary has with, or any interests that the actuary has in, the licensed insurer or any of its subsidiaries

I confirm that I am an employee of a related corporate entity, Chubb Insurance Australia Limited – which is not a subsidiary of CINZL - and I am not a Director of CINZL. I confirm that I do not hold any shares in CINZL but that I hold shares in Chubb Limited, CINZL's ultimate holding company through Chubb Limited's Long Term Incentive Plan.

e) Whether the actuary has obtained all information and explanations that he or she has required

I confirm that I have obtained all information and explanations required to perform my review.

f) Whether, in the actuary's opinion and from an actuarial perspective:

- the actuarial information contained in the financial statements and any group financial statements has been appropriately included in those statements (and if not, the respects in which it has been inappropriately included)
- the actuarial information used in the preparation of the financial statements and any group financial statements has been used appropriately (and if not, the respects in which it has been used inappropriately).

I confirm that in my opinion, and from an actuarial perspective, the actuarial information contained in CINZL's financial statements has been appropriately included and has been used appropriately.

g) Whether, in the actuary's opinion and from an actuarial perspective, the licensed insurer is maintaining the solvency margin that applies under a condition imposed under section 21(2)(b) (as at the balance date of the insurer)

I confirm that in my opinion, and from an actuarial perspective, CINZL has maintained the solvency margin in accordance with both the RBNZ's Solvency Standard for Non-Life Business and RBNZ's Solvency Standard for Life Business.

h) In the case of a life insurer, whether, in the actuary's opinion and from an actuarial perspective, the life insurer is maintaining the solvency margins that apply in respect of its statutory funds under a condition imposed under section 21(2)(c) (as at the balance date of the insurer).

Not applicable as CINZL is a non-life insurer and, despite having a small amount of life insurance business (in run-off), CINZL has been given an exemption from holding statutory funds in respect of this life insurance business.

Please do not hesitate to contact me if you would like to discuss any aspect of this memorandum.

Stephen Wilson

Appointed Actuary, Chubb Insurance New Zealand Limited

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