New Zealand Companies Office
Companies Register
Victoria Street West
Auckland 1142
New Zealand

4 April 2024

Dear Sir/ Madam,

RE: Zurich Australian Insurance Limited (606265)

Zurich Australian Insurance Limited
ABN 13 000 296 640

118 Mount Street
North Sydney
NSW 2060

PO Box 677
North Sydney
NSW 2059

E-mail
d.longden@zurich.com.au

Please find attached the 31 December 2023 Annual Reports for Zurich Australian Insurance Limited ("Group Financial Statements") and Zurich Australian Insurance Limited New Zealand Branch ("New Zealand Branch Financial Statements').

I note that reliance is placed on the Financial Markets Conduct (Overseas Registered Banks and Licenced Insurers) Exemption Notice 2021, in that the Group Financial Statements have been prepared in accordance with Australian Accounting Standards.

Should you have any further queries please contact Eugene Cheong (eugene.cheong@zurich.com.au), Group Financial Controller, or myself.

Yours Sincerely,

Daniel Longden
Chief Financial Officer

ZURICH AUSTRALIAN INSURANCE LIMITED

A.B.N. 13 000 296 640

ANNUAL REPORT

For the year ended 31 December 2023

Contents	**Page Number**

Zurich Australian Insurance Limited is a Company limited by shares, incorporated in and domiciled in Australia. Its registered office and principal place of business is:

118 Mount Street
North Sydney
NSW 2060

A description of the nature of the entity's operations and its principal activities is included in the directors' report on pages 1 – 3.

The annual report was authorised for issue by the directors on 5 March 2024. The directors have the power to amend and reissue the report.

ZURICH AUSTRALIAN INSURANCE LIMITED

Directors' report

The directors present their report on Zurich Australian Insurance Limited ("the Company") for the year ended 31 December 2023.

Directors

The following persons were directors of the Company at any time during the financial year 2023 and up to the date of this report:

Name	Role	Appointment date	Resignation date
Geoffrey Edward Summerhayes	Director, Chairman	17 January 2022	
John Francis Mulcahy	Director	24 August 2017	
Matthew Reilly	Director	22 November 2017	
Justin Sean Delaney	Director	19 July 2021	
Mary Brigid Waldron	Director	1 January 2023	
Nicolette Liesbeth Rubinsztein	Director	1 January 2023	
Noel Edward Condon	Director	1 January 2023	

The following persons were officers of the Company who held office during financial year 2023:

Name	Role	Appointment date	Resignation date
Cathy Anne Manolios	Secretary	16 September 2002	
David George Hallahan	Secretary	11 April 2008	

Principal activities

The principal activity of the Company during the year was underwriting various classes of General Insurance.

Dividends

There were \$73m dividends (2022: \$29m) paid by the Company to the Australian controlling company, Zurich Financial Services Australia Limited, during the financial year.

Review of results and operations

The net result of the Company after applicable income tax for the financial year ended 31 December 2023 was a profit of \$90.1m (2022: \$20.9m).

During the year, under Division 3A of Part III of the Insurance Act 1973, the insurance portfolio and related assets of OnePath General Insurance Pty Limited was transferred to the Company.

Matters subsequent to the end of the financial year

The directors are not aware of any matter or circumstance which has arisen since 31 December 2023, other than dealt with in the financial statements, that has significantly affected or may significantly affect:

(a) The operations in future financial years; or
(b) The results of those operations in future financial years; or
(c) The state of affairs in future financial years.

Likely developments and expected results of operations

The directors do not make any reference to likely developments and expected results at this time, apart from comments made elsewhere in this report, as such references could be prejudicial to the interests of policyholders and shareholders. Accordingly, this information has not been included in this report.

Directors' report (continued)

Environmental regulations
Whilst the Company has assessed that there are currently no significant environmental regulations that apply to it, the Company is part of the Zurich Group which has the ambition to become one of the most responsible and impactful businesses in the world. Zurich Group is a member or signatory to a number of global forums, including the UNEP FI Principles for Sustainable Insurance, reflecting the goal to accelerate the transition to a net-zero emissions future and embed sustainability across the business. Locally the Company is a signatory to the Insurance Council of Australia 's ("ICA") "Climate Change Roadmap – Towards a Net Zero and Resilient Future".

Zurich Group's operations have been carbon-neutral since 2014. In 2022, Zurich Group accelerated its target to achieve net-zero emissions in its operations to 2030. Zurich received a rating of AAA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment in 2022 and 2023.

Zurich Australia & New Zealand has established a local sustainability strategy aligned to Zurich Group's overall sustainability commitments and goals. In 2022, the Company appointed a formal executive owner of sustainability and completed the first phase of the strategy, establishing foundations. This includes regular reporting to the Board, monitoring of progress towards targets, appropriate governance and accountabilities, as well as education and key initiatives to drive action towards our commitments. In 2023, the Company has continued to make progress against this strategy and our sustainability commitments.

Insurance of officers
During the financial year, the Australian parent company, Zurich Financial Services Australia Limited (ZFSA), has paid a premium to insure all present and past directors, secretaries and executive officers of the Company or a related body corporate. The insurance grants indemnity against liabilities permitted to be indemnified by the Company under the Corporations Act 2001. In accordance with normal commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Agreements to indemnify
The Company's Constitution permits the Company to indemnify the directors and officers of the Company to the extent permitted by law. It is also the policy of ZFSA, as the Australian parent company, that its employees should be protected from any liability for acting in the course of their employment legally, within the parent company's policies and provided they act in good faith.

ZFSA have entered into an indemnity deed with current and former directors (as relevant) of the Company. A director who has entered into an indemnity deed with the respective parent company is indemnified, subject to the terms and conditions of the deed, for all liabilities including costs, damages and expenses incurred in his or her capacity as a director of the Company, to the extent permitted by law.

Other than the indemnity deed between the parent company and current and former directors of the Company, the Company and any related body corporate has not made any agreement to indemnify any current or former officer or auditor (as relevant) of the Company from 1 January 2023 to the date of this report.

Proceedings on behalf of the company
During the financial year, no person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Directors' report *(continued)*

Rounding of amounts to the nearest thousand dollars
The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Auditor
A copy of the Auditor's Independence Declaration, as required under section 307C of the Corporation Act 2001, is set out on page 4.

This report is made in accordance with a resolution of the directors.

G E Summerhayes	M B Waldron
Chairman	Director

Sydney
5 March 2024

Building a better
working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
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Auditor's independence declaration to the directors of Zurich Australian Insurance Limited

As lead auditor for the audit of the financial report of Zurich Australian Insurance Limited for the financial year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

David Jewell

David Jewell
Partner
5 March 2024

ZURICH AUSTRALIAN INSURANCE LIMITED

Statement of comprehensive income
For the year ended 31 December 2023

	Notes	2023 $'000	Restated 2022 $'000
Insurance revenue	6(a)	1,935,654	1,625,151
Insurance service expenses	6(b)	(1,679,689)	(1,459,501)
Net expenses from reinsurance contracts held	6(c)	(140,109)	(42,883)
Insurance service result		115,856	122,767
Interest revenue calculated using effective interest method	7(a)	66,475	35,964
Other interest and dividend income	7(a)	10,128	9,234
Net fair value gains/(losses) on financial assets at fair value through profit and loss	7(a)	6,703	(111,646)
Net fair value losses on derecognition of financial assets measured at fair value through other comprehensive income	7(a)	(6,304)	-
Net finance expenses from insurance contracts	7(b)	(44,385)	(14,608)
Net finance income from reinsurance contracts held	7(c)	17,662	7,456
Net financial results		50,279	(73,600)
Other income	8	10,213	10,915
Other operating expenses		(47,783)	(43,132)
Profit before income tax		128,565	16,950
Income tax (expense) / benefit	9(a)	(38,486)	3,961
Profit after income tax		90,079	20,911
Other comprehensive income (OCI)			
OCI to be reclassed to profit or loss in subsequent periods			
Net fair value change in investments carried at fair value through OCI		42,138	-
Net finance (income)/expenses from insurance contracts	7(b)	(15,307)	61,958
Net finance expenses/(income) from reinsurance contracts held	7(c)	5,852	(23,793)
Exchange difference on translating foreign operation		(238)	(171)
Income tax relating to these items	9(b)	(9,937)	(11,322)
Other comprehensive income for the year, net of tax		22,508	26,672
Total comprehensive income for the year, net of tax		112,587	47,583

** See note 1 for details about restatement for changes from adoption of new standards.*

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

ZURICH AUSTRALIAN INSURANCE LIMITED

Balance sheet
As at 31 December 2023

	Notes	2023 $'000	Restated* 2022 $'000	Restated* 1 January 2022 $'000
Assets				
Cash and cash equivalents	15(a)	117,029	132,396	107,931
Investment assets	10	2,031,590	1,772,928	1,686,273
Reinsurance contract assets held	11(b)	841,140	839,709	856,019
Other assets	12	31,863	26,042	-
Total Assets		3,021,622	2,771,075	2,650,223
Liabilities				
Provision and other liabilities	13	128,438	76,680	77,401
Insurance contract liabilities	11(a)	2,216,064	2,058,350	1,963,006
Deferred tax liabilities	9(f)	19,097	22,106	14,460
Total Liabilities		2,363,599	2,157,136	2,054,867
Net Assets		658,023	613,939	595,356
Equity				
Share capital	14	97,065	97,065	97,065
Reserves		(6,595)	(29,103)	21,314
Retained profits		567,553	545,977	476,977
Total Equity		658,023	613,939	595,356

**See note 1 for details about restatements for changes from adoption of new standards.*

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 31 December 2023

	Notes	Share Capital $'000	Retained profits $'000	Foreign currency translation reserve $'000	Fair value reserve $'000	Insurance finance reserve $'000	Reinsurance finance reserve $'000	Total Reserves $'000	Total $'000
Balance at 1 January 2022, as previously reported		97,065	398,876	7,222	-	-	-	7,222	503,163
Adjustment on initial application of AASB 17, net of tax*	1	-	93,719	-	-	(4,977)	3,451	(1,526)	92,193
Restated balance as at 1 January 2022		97,065	492,595	7,222	-	(4,977)	3,451	5,696	595,356
Profit for the year (restated)		-	20,911	-	-	-	-	-	20,911
Other comprehensive income/(loss) for the year (restated)		-	-	(171)	-	42,503	(15,660)	26,672	26,672
Total comprehensive income for the year (restated)		-	20,911	(171)	-	42,503	(15,660)	26,672	47,583
Dividends paid to Australian parent entity		-	(29,000)	-	-	-	-	-	(29,000)
Restated balance at 31 December 2022		97,065	484,506	7,051	-	37,526	(12,209)	32,368	613,939
Adjustment on initial application of AASB 9, net of tax*	1	-	61,471	-	(61,471)	-	-	(61,471)	-
Restated balance at 1 January 2023		97,065	545,977	7,051	(61,471)	37,526	(12,209)	(29,103)	613,939
Profit for the year		-	90,079	-	-	-	-	-	90,079
Other comprehensive income/(loss) for the year		-	-	(238)	29,497	(10,954)	4,203	22,508	22,508
Total comprehensive income for the year		-	90,079	(238)	29,497	(10,954)	4,203	22,508	112,587
Division 3a transfer	20	-	4,497	-	-	-	-	-	4,497
Dividends paid to Australian parent entity		-	(73,000)	-	-	-	-	-	(73,000)
Balance as at 31 December 2023		97,065	567,553	6,813	(31,974)	26,572	(8,006)	(6,595)	658,023

** See note 1 for details about adjustments and restatements for changes from adoption of new standards.*

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows
For the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Premiums and deposits received		1,944,196	1,669,510
Reinsurance premiums ceded		(320,216)	(306,718)
Claims and related payments		(1,107,607)	(957,304)
Reinsurance claim recoveries		202,095	264,905
Payments to suppliers and employees		(543,245)	(439,521)
Investment income received		61,284	34,058
Interest received		9,120	3,393
Fees and commissions received		10,213	10,915
Payment/(receipt) to/from head tax entity		(6,892)	(18,583)
Other payments		(250)	(250)
Dividends received - non life insurance business		6,198	7,747
Net cash inflow/(outflow) from operating activities	15	**254,896**	**268,152**
Cash flows from investing activities			
Payments for investment assets		(1,434,750)	(865,709)
Proceeds from sale of investment assets		1,224,726	651,417
Net cash outflow from investing activities		**(210,024)**	**(214,292)**
Cash flows from financing activities			
Cash transferred as part of division 3a transfer	20	13,146	-
Dividend paid to parent entity		(73,000)	(29,000)
Net cash outflow from financing activities		**(59,854)**	**(29,000)**
Net decrease in cash held		(14,982)	24,861
Cash and cash equivalents at the beginning of financial year		132,396	107,931
Effects of exchange rate changes on cash and cash equivalents		(385)	(395)
Cash and cash equivalents at the end of the financial year	15	**117,029**	**132,397**

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

1. Summary of material accounting policies

Zurich Australian Insurance Limited ("the Company") is a for-profit company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is 118 Mount Street, North Sydney, New South Wales, 2060, Australia. The financial report of the Company for the year ended 31 December 2023 comprises solely the Company.

The financial statements of the Company for the year ended 31 December 2023 were authorised for issue in accordance with the resolution of the directors on 5 March 2024.

Compliance with IFRSs

The financial statements of the Company also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Basis of preparation

Statement of compliance
This general purpose financial statements has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”), Urgent Issues Group Interpretations and the Corporations Act 2001.

The financial statements of the Company also comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

It is prepared in accordance with the historical cost convention, except in the case of certain financial assets, as noted in the accounting policies below, which are measured on the basis of fair value as required by AASB 139 Financial Instruments: Recognition and Measurement for the comparative period ending 31 December 2022, and AASB 9 *Financial Instruments* for the period ending 31 December 2023.

Adoption of new accounting standards
The Company applied AASB 17 *Insurance Contracts* (“AASB 17”) and AASB 9 *Financial Instruments* (“AASB 9”) for the first time on 1 January 2023. The adoption of AASB 17 did not change the classification of the Company insurance contracts. The Company had previously applied accounting policies for general insurance contracts using AASB 1023 General Insurance Contracts. AASB 17 establishes specific principles for the recognition and measurement of all insurance contracts issued and reinsurance contracts held by the Company. The key principles of AASB 17 are detailed in Note 1 (a) - (e). These standards brought significant changes to the accounting for the Company insurance, reinsurance contracts and financial instruments.

The Company assessed the impact that the initial application of AASB 17 and AASB 9 had on its financial statements. The total adjustment (after tax) to the balance of the Company’s total equity is an increase of $92.2 million at 1 January 2022, as summarised below. The impact from the initial application of AASB 9 on Company's total equity was nil.

Transition impacts of AASB 17 on total equity	Notes	1 January 2022 $’000
Adjustments due to the adoption of AASB 17	(i)	130,840
Income tax impacts		(38,647)
Impact of adoption of AASB 17, net of tax		**(92,193)**

1. Summary of material accounting policies *(continued)*

Adoption of new accounting standards *(continued)*

(i) The Company has restated comparative information on the adoption of AASB 17. The Company's total comprehensive income after tax for 31 December 2022 has increased by $3.0 million as a result. The Company applied the accounting policies in Note 1(a) to (l) in accordance with the transition approach stated below.

Transition disclosure – AASB 9
The following section sets out the impact of adopting AASB 9 on the balance sheet, including the effect of replacing AASB 139's incurred credit loss calculations with AASB 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under AASB 139 to the balance reported under AASB 9 as of initial application date 1 January 2023 is as follows:

		1-Jan-23				
In $'000		**AASB 139 measurement**			**AASB 9**	
	Ref	**Category**	**Amount**	**Re-classification**	**Amount**	**Category**
Cash and cash equivalent		L&R[1]	132,396	-	132,396	Amortised
Investment assets at fair value through OCI	A	FVTOCI[2]	-	1,421,141	1,421,141	FVTOCI[2]
Investment assets at fair value through profit or loss	A,B	FVTPL[3]	1,620,663	(1,421,141)	199,522	FVTPL[3]
Term deposits	B	FVTPL[3]	92,292	-	92,292	FVTPL[3]
Shares in controlled entities	B	FVTPL[3]	59,973	-	59,973	FVTPL[3]
Total investment assets			1,772,928	-	1,772,928	

[1] Loans and receivables
[2] Fair value through other comprehensive income
[3] Fair value through profit or loss

On the implementation of AASB 9 on 1st January 2023, unrealised gains and losses relating to investment assets at fair value through OCI net of expected credit losses and tax were reclassified from retained earnings to the fair value reserves. The total impact of this reclassification was $61.5 million which includes a provision for expected credit loss of $0.5 million.

A. As of 1 January 2023, the Company assessed its debt instrument portfolio which had previously been classified as debt instruments at fair value through profit or loss. The Company concluded that these instruments are managed within a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Company predominantly classified these investments as debt instruments measured at fair value through other comprehensive income with the remainder classified as FVTPL.

B. As at 1 January 2023, the Company assessed its equities, term deposits, and shares in controlled entities previously designated at fair value through profit or loss under AASB 139. Under AASB 9, the Company still classifies all its equities, term deposits, and shares in controlled entities instruments as mandatorily measured at fair value through profit or loss.

1. Summary of material accounting policies *(continued)*

Transition approach for AASB 17

Changes in accounting policies resulting from the adoption of AASB 17 have been applied using a full retrospective approach. Under the full retrospective approach, at 1 January 2022 the Company has:

- identified, recognised and measured each group of insurance contracts and reinsurance contracts as if AASB 17 had always been applied;
- derecognised previously reported balances that would not have existed if AASB 17 had always been applied; and
- recognised the resulting net difference in equity.

New accounting standards and interpretations

For 31 December 2023 reporting period, there are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Controlled entities

Controlled entities are all those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The controlled entity is summarised in Note 19.

The Company has elected to apply AASB 127 *Separate Financial Statements*. These financial statements are separate financial statements and the Company is exempted from preparing consolidated financial statements. The ultimate controlling entity is Zurich Insurance Group Ltd (“Zurich Group”), incorporated in Switzerland. The ultimate Australian controlling entity is Zurich Financial Services Australia Limited (“ZFSA”), and is incorporated in Australia.

ZFSA produces consolidated financial statements in accordance with the Australian Accounting Standards for public use, which can be obtained at 118 Mount Street, North Sydney, NSW, 2060.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its 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 and estimates are significant to the financial statements are disclosed in Notes 2 and 3.

Discussion of these critical accounting treatments, which include complex or subjective decisions or assessments are covered in Note 2. Such estimates may require revision in future periods.

Material accounting policy information

(a) Principles of general insurance contracts

The general insurance operations of the Company comprise the underwriting of various classes of direct insurance contracts and reinsurance contracts. These contracts transfer risk by agreeing to compensate the insured or reinsured on the occurrence of a specified insured event, such as damage to property or the crystallisation of a third-party liability (or the reinsurance thereof), within a given timeframe. These contracts are defined as general insurance contracts issued. The Company also enters reinsurance contracts to cede insurance risks arising from the direct and reinsurance contracts it underwrites.

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to insurance contracts are classified as reinsurance contracts.

The accounting policies in Note 1(b) – (k) below are applied consistently to all insurance contracts and reinsurance contracts unless otherwise stated.

1. Summary of material accounting policies *(continued)*

Material accounting policy information *(continued)*

(b) Level of aggregation

The Company identifies portfolios of insurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

Each group of insurance contracts is further divided by year of issue. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. The groups are established on initial recognition and their composition is not reassessed subsequently.

The Company applies the above requirements to aggregate reinsurance contracts except for the reference of onerous contracts, which shall be replaced with a reference to contracts on which there is a net gain on initial recognition.

(c) Contract boundary

The measurement of a group of contracts includes all of the future cash flows within the boundary of each insurance contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and
- the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

For the Company this is the period of cover of each insurance contract.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or has a substantive right to terminate the coverage.

(d) Initial recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder become due (or when the first payment is received, if there is no due date); or
- When facts and circumstances indicate that the group becomes onerous.

Insurance contracts acquired in a transfer of contracts or in a business combination are recognised on the date of acquisition.

(e) Measurement for liability for remaining coverage and assets for remaining coverage

The Company uses the premium allocation approach ("PAA") to simplify the measurement of groups of contracts on the following bases:

- insurance contracts: the coverage period of each contract in the group of contracts is one year or less; and
- longer term insurance and reinsurance contracts: the Company reasonably expects that the resulting measurement would not differ materially from the result of applying the general measurement model.

1. Summary of material accounting policies *(continued)*

Material accounting policy information *(continued)*

(e) Measurement for liability for remaining coverage and assets for remaining coverage *(continued)*

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured as the premiums received on initial recognition. Acquisition cashflows are recognised in the liability for remaining coverage when incurred and amortised on a straight-line basis or based on the expected pattern of release of risk during the coverage period of the group of contracts.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and decreased by the amount recognised as insurance revenue for coverage provided. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the coverage and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in the Statement of comprehensive income and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates).

A liability for emergency services is recognised on business written to the balance date and levies payable are expensed as incurred.

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts. If a group of underlying insurance contracts is onerous, then the Company increases the assets for remaining coverage by the amount the Company expects to recover from the group of reinsurance contracts held (where this loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts).

(f) Measurement for liability for incurred claims and asset for incurred claims recovery

The Company recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

The Company applies the same accounting policies to measure a group of reinsurance contracts.

(g) Insurance revenue

For contracts which are all measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing coverage in the period. The Company allocates the expected premium receipts to each period based on the passage of time or based on the expected pattern of release of risk during the coverage period.

(h) Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise of:

- Incurred claims and other insurance service expenses;
- Amortisation of acquisition cash flows on a straight-line basis over the coverage period or based on the expected pattern of release of risk during the coverage period;
- Losses on onerous contracts and reversals of such losses; and
- Adjustments to the liabilities for incurred claims for movements in the claims experience.

1. Summary of material accounting policies *(continued)*

Material accounting policy information *(continued)*

(i) Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise reinsurance service expenses less amounts recovered from reinsurers.

Reinsurance contracts are measured under the PAA and as such, the reinsurance service expenses for each period reflects the amount of expected premium payments for receiving coverage in the period. Amounts recovered from the reinsurer are generally recognised as the insurance service expenses incurred.

(j) (Re)insurance finance income and expenses

Insurance finance income and reinsurance finance expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein.

The Company has chosen to disaggregate insurance finance income and expenses between profit or loss and other comprehensive income ("OCI"). The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing the insurance portfolios are predominantly measured FVOCI. For all other business, the Company does not disaggregate finance income and expenses because the related financial assets are managed on a fair value basis and measured at FVPL.

Amounts presented in OCI are accumulated in the insurance finance reserve. The Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts. If the Company derecognises an insurance contract as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated OCI for the contract are reclassified to profit or loss.

(k) Derecognition and contract modification

The Company derecognises a contract when it is extinguished i.e. when the specified obligations in the contract expire or are discharged or cancelled. This is usually at the end of the coverage period.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly. Had the new terms always existed, a new contract based on the modified terms is recognised. Contracts based on the modified terms are accounted for by applying Note 1(d) to the new contract at initial recognition.

If a contract modification does not result in derecognition, then the Company continues to apply Note 1(d).

(l) Fee and other revenue

Fee and other revenue are recognised at the time services are provided.

(m) Dividend and interest income

Dividends are recognised when the Company obtains control of the right to receive the revenue. This applies even if they are paid out of pre-acquisition profits.

Interest income is recognised in the Statement of comprehensive income using the effective interest rate method.

(n) Income tax

The income tax expense or benefit for the year is the tax payable/receivable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by 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 unused tax losses.

1. Summary of material accounting policies *(continued)*

Material accounting policy information *(continued)*

(n) Income tax *(continued)*

The current income tax expense or benefit is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised using the liability method for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation
The head entity, ZFSA and the controlled entities in the tax consolidated group (including the Company) continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group is a separate taxpayer within that group.

In addition to its own current and deferred tax amounts, ZFSA also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under the tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Under a separate tax funding agreement, the Company fully compensates ZFSA for any current tax payable assumed and is compensated by ZFSA for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to ZFSA under the tax consolidation legislation.

1. Summary of material accounting policies *(continued)*

Material accounting policy information *(continued)*

(n) Income tax *(continued)*

Tax consolidation legislation *(continued)*

The funding amounts are determined by reference to the amounts recognised (notional tax) in the Company's financial statements.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities

The entities in the tax consolidated group have entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, ZFSA. For further details see Note 9.

(o) Goods and services tax ("GST")

Revenues and expenses are disclosed net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO") and New Zealand Inland Revenue Department ("IRD"). 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.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO and IRD is included within other asset or other liabilities in the Balance sheet.

Cash flows are included in the Cash flow statement on a gross basis.

(p) Foreign currency translation

The financial statements of the Company are presented in Australian dollars, which is the functional and presentation currency. Foreign currency transactions are initially translated into Australian dollars at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated into Australian dollars at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year.

The results and financial position of foreign operations are translated into the presentation currency as follows:

- Assets and liabilities at closing rate at balance date;
- Income and expenses at year to date average exchange rate; and
- All resulting exchange differences are recognised as a separate component of equity.

(q) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value, and bank overdrafts.

1. Summary of material accounting policies *(continued)*

Material accounting policy information *(continued)*

(r) Financial assets

(i) Financial assets at fair value through profit or loss
The investment assets of the Company have been determined as assets backing policy liabilities and are therefore valued at fair value through profit or loss.

It is considered that the use of fair value through profit or loss results in more relevant information because it eliminates or significantly reduces a measurement or recognition inconsistency.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include reference to the fair values of recent arm’s length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer’s specific circumstances. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Purchases and sales of investments are recognised on trade-date. The trade-date is the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at cost. These assets are subsequently measured at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the Statement of comprehensive income in the period in which they arise.

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(ii) Receivables
Receivables are carried at cost which is the best estimate of fair value, as they are usually settled within twelve months and subsequently subject to impairment testing. Impairment testing is based on recoverability of receivables and is reviewed on an ongoing basis. An impairment charge is recognised when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the contracts. The impairment charge is recognised in the Statement of comprehensive income.

1. Summary of material accounting policies *(continued)*

Material accounting policy information *(continued)*

(r) Financial assets *(continued)*

Policy for 31 December 2023
On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A debt security is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt securities are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above, which includes investments in shares in controlled entities or associates are measured at fair value through profit or loss are measured at FVTPL. All financial assets, except for those measured at FVTPL, are subject to impairment assessment.

Those assets designated as FVTPL are subsequently measured at fair value. Net gains and losses, as well as any interest or dividend income, are recognised in profit or loss.

Recognition of expected credit losses
ECL is recognised for debt securities measured at amortised cost, debt securities measured at FVOCI, and other receivables and reflects the difference between the contractual cash flows of the instrument and the cash flows the Company expects to receive. ECL is recognised on the following basis:

- 12-months ECL is recognised from the initial recognition of a debt instrument and reflects a portion of lifetime expected credit losses that would result from default events that are possible within 12 months after the reporting date (12-month ECL);
- The Company applies the low credit risk simplification to recognise 12-months ECL for all financial instruments that have an internal or external investment grade credit rating. Instruments for which 12-months ECL is recognised are referred to as stage 1; and
- Lifetime ECL is recognised in the event of a significant increase in credit risk (SICR) since initial recognition and reflects lifetime expected credit losses over the expected life of the financial instrument (lifetime ECL). The Company applies a permitted simplification to recognise lifetime ECL for all trade receivables. Instruments with lifetime ECL are referred to as stage 2. Lifetime ECL is also recognised for credit-impaired financial instruments, referred to as stage 3. Stage 3 includes instruments that are non-performing or for which a default event has occurred. The Company presents the gross carrying amount of such assets net of lifetime ECL.

1. Summary of material accounting policies *(continued)*

Material accounting policy information *(continued)*

(r) Financial assets *(continued)*

Policy for 31 December 2023 *(continued)*

Forward-looking scenarios and measurement of expected credit losses
Expected credit losses reflect an unbiased, probability-weighted estimate based on possible default events either over the next 12 months or over the remaining life of a financial instrument. The ECL is calculated using a combination of the following main input parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

For rated debt securities, the Company determines the forward-looking inputs by evaluating a range of possible outcomes. A scenario-based approach is applied where three scenarios (downside scenario, base case and upside scenario) are modelled once a year considering potential development of relevant macroeconomic variables over 1-year horizon. If no internal nor external credit rating is available, the Company assigns a fallback rating which is used to derive the ECL parameters (i.e., exposures where the issuer is domiciled in a country with investment grade sovereign rating are assigned A- while B- is assigned to other exposures).

For unrated exposure, for example, other assets, the ECL is measured using an expected loss rate provision matrix, based on historical observed default rates (adjusted and regularly updated for forward-looking estimates), depending on the past due status. For this purpose, the exposures are grouped into sub-portfolios that are homogenous in terms of loss pattern, and specific loss rates depending on the number of days past due are assigned. From the provision matrix, the calculation of the ECL is determined by multiplying the gross carrying amount of the exposure by the given expected loss rate.

Policy for 31 December 2022
The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(s) Other liabilities

(i) Payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(ii) Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A liability for other statutory charges, e.g. stamp duty, is recognised on business written to the balance date. This is provided for settlement with state governments for statutory charges when they are due.

1. Summary of material accounting policies *(continued)*

Material accounting policy information *(continued)*

(t) Dividends
Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(u) Rounding of amounts
The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars in accordance with that class order.

(v) Comparative information
Where necessary, the amounts shown for the previous year have been reclassified to facilitate comparison.

2. Critical accounting judgements and estimates

The Company makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

(a) The ultimate liability arising from claims incurred under insurance contracts
A liability for incurred claim is held at 31 December 2023 for the estimated cost of claims incurred, but not settled, including the cost of claims incurred, but not yet reported to the Company.

The estimated cost of claims includes direct expenses to be incurred in settling claims net of the expected value of salvage and other recoveries. The Company takes all reasonable steps to obtain appropriate information regarding its claims exposures. However, given the uncertainty in establishing the liability for incurred claims, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of the liability for incurred claims not reported is generally subject to a greater degree of uncertainty than the estimation of the cost of notified claims to the Company, where information about the claim event is generally available. The full liability for incurred claims not reported, may not be apparent to the insured until many years after the event giving rise to the claim. In addition, the sufficiency of the liability for incurred claims is also subject to uncertainty.

The long-tailed classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating the liability for incurred claims. For the short-tailed classes, claims are typically reported soon after the claim event, and hence tend to display lower levels of uncertainty. In calculating the estimated liability for incurred claims, the Company uses a variety of estimation techniques, generally based upon actuarial analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

2. Critical accounting judgements and estimates *(continued)*

(a) The ultimate liability arising from claims incurred under insurance contracts *(continued)*

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying data or which might cause the liability for incurred claims to increase or reduce when compared with the cost of previously paid claims including:

- Changes in the Company's processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the data from previous periods;
- Changes in the legal environment;
- The effects of inflation (both economic and superimposed);
- Changes in the mix of business;
- The impact of large losses;
- Movements in industry benchmarks;
- Medical and technological developments; and
- Changes in policyholder behaviour.

In estimating the cost of these, the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the effect of the development and incidence of these large claims. Projected payments are discounted to allow for the time value of money, based on current risk free interest rates and illiquidity premium.

Where possible, the Company adopts multiple techniques to estimate the required level of liabilities. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

(i) Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the Zurich Group would require for bearing non-financial risk and are allocated to groups of contracts written by the Company reflecting the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from all contracts issued by insurance entities in the Zurich Group, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion. This diversification benefit is then allocated to the Company. This is determined using a confidence level technique.

(b) Measurement of onerous contracts

The Company only recognises onerous contracts for a group of contracts when facts and circumstances indicate. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. A significant judgement in determining onerous contracts is the measurement of the ultimate cost of claims.

(c) Assets arising from reinsurance contracts

Reinsurance recoveries are also computed using the above methods. The judgements applied by the Company to estimate its ultimate liability arising from claims incurred under insurance contracts above are consistently applied to the Company's reinsurance contracts by considering the contractual features of the reinsurance contracts. Any loss recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

3. Actuarial assumptions and methods

The Company writes both short-tailed and long-tailed business. The process for determining the value of the liability for incurred claims and asset for incurred claims is described below.

The methods used to establish the ultimate cost of claims include the following:

- Projecting ultimate numbers of claims and multiplying by projected ultimate average cost;
- Projecting ultimate claim payments;
- Projecting ultimate incurred claim amounts; and
- Applying plan or forecast loss ratios to earned premiums.

Claims inflation is incorporated into the resulting projected payments, to allow for both general economic inflation (generally wage inflation) as well as any superimposed inflation detected in the modelling of payments experience. Superimposed inflation arises from non-economic factors such as legal developments. Future wage inflation is based on current levels and economic indicators. Future superimposed inflation is assessed based on current trends and industry information.

Projected reinsurance assets are derived using similar methods or applying net to gross ratios.

Projected payments are discounted to allow for the time value of money, based on current risk free interest rates and illiquidity premium. All these methods rely on future development being consistent with historical development and are thus subject to uncertainty surrounding changes to these patterns from whatever cause. In addition, there is uncertainty arising from the underlying assumptions for future wage inflation and superimposed inflation and interest rates. Significant events, such as catastrophes close to the balance sheet date, require specialised methods, also increasing the level of uncertainty. The presence of asbestos and silicosis claims in the portfolio and the potential emergence of new types of latent claim also increase the potential variability of the outcome.

This risk adjustment represents the compensation the Company requires for accepting the remaining (non-financial) risks on its insurance contracts. Its methodology, when applied to all insurance entities within the Zurich Insurance Group, is expected to give the overall Zurich Insurance Group reserves a probability of adequacy of 75%. When, as here, it is applied to the Company entity in isolation, the probability of adequacy is lower, estimated at 60% (2022: 60%). The lower likelihood owes to various factors, most importantly the absence of inter-country diversification effects.

(a) Selected key variables

The following indicators reflect the key variables that have been used in determining liability for incurred claims and asset for incurred claims.

	2023 Long-tail	2023 Short-tail	Restated 2022 Long-tail	Restated 2022 Short-tail
Average weighted term to settlement	3.3 years	0.6 years	3.1 years	0.6 years
Interest rate for discounting	4.28%	4.50%	4.11%	3.79%
Wage inflation	3.75% for asbestos & CSA related reserves otherwise 4.00%	N/A	3.75% for asbestos related reserves otherwise 4.00%	N/A
Superimposed inflation	0.0 to 6.25%	N/A	0 to 6.0%	N/A

3. Actuarial assumptions and methods *(continued)*

(b) Effect of changes in actuarial assumptions from 31 December 2022 to 31 December 2023

Assumption category	Effect of changes on insurance contract liabilities $'000	Effect of changes on reinsurance contract assets $'000
Average weighted term to settlement	17,760	(14,708)
Discount rate for general insurance contracts	(1,304)	355
Wage inflation	170	(28)
Superimposed inflation	(18)	-

(c) Sensitivity analysis

The Company conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results and the Company's best estimate of future performance is calculated using certain assumptions about these variables. The movement in any key variable will impact the performance and net assets of the Company and as such represents a risk.

Variable	**Impact of movement in underlying variable**
Average weighted term to settlement	An increase in the average weighted term to settlement increases the associated claims cost.
Discount rates	A change in market interest rates and illiquidity premium affect the value placed on future cash flows.
Wage inflation and superimposed inflation	An increase in inflation rates increase the associated claims cost.
Financial assets interest rate	A change in market interest rates affect the value placed on future cash flows.
Financial assets price	This represents the Company's exposure to financial asset prices from its investments in unit trusts and debt securities backing participating products.

The table below illustrates how changes in the key assumptions and assumed experience would impact the equity of the Company before and after risk mitigation by reinsurance contracts held.

		2023		Restated 2022	
		Equity		Equity	
	Movement in variable	Gross $'000	Net $'000	Gross $'000	Net $'000
Average weighted term to settlement	+0.5 years	25,082	13,249	22,739	12,823
	-0.5 years	(20,197)	(10,649)	(18,638)	(10,464)
Discount rate	+1%	21,706	13,253	18,921	12,054
	-1%	(23,012)	(14,113)	(19,940)	(12,780)
Wage inflation and superimposed inflation	+1%	(3,387)	(3,309)	(2,199)	(2,186)
	-1%	3,230	3,154	2,056	2,043
Financial assets interest rate	+1%	14,094	14,094	11,610	11,610
	-1%	(14,094)	(14,094)	(11,610)	(11,610)
Financial assets price	+10%	133,667	133,667	113,446	113,446
	-10%	(133,667)	(133,667)	(113,446)	(113,446)

4. Management of risk

The Company's activities expose it to a variety of risks, that could potentially impact the financial standing of the Company. This note and Note 5 Financial risk management, provide an overview of the processes and considerations undertaken in managing these risks.

Section (a) below reviews the risk management framework employed so that the management of risk is complete, effective and aligned to the strategic intent of the Company.

The various categories of risk that may impact the financial standing of the Company are outlined as follows: Section (b) reviews the insurance risk; Section (c) reviews the operational risks, including the specific controls in place to manage the risk of financial misstatement; and Note 5 separately details the financial risk management policies and procedures in place

(a) Risk management framework

The Company's overall risk management framework seeks to manage risks within the Board's risk appetite. This includes a focus on potential adverse effects on the financial performance of the Company, in particular capital and solvency.

The risk management framework comprises the totality of systems, structures, policies, processes and people within the Company that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk. The key components of the risk management framework are:

- The business plan – which is developed within the Board's risk appetite and having regard for the risk management strategy of the Company. Capital adequacy implications are taken into account in the business planning process.
- The Risk Management Strategy (RMS) – which describes the Company's strategy for managing risk and the key elements of the risk management framework that give effect to the strategy.
- The Board's Risk Appetite Statements – which sets out the Board's appetite for risk taking in the pursuit of its strategic objectives, giving consideration to the interests of policyholders.
- The Internal Capital Adequacy Assessment Process (ICAAP) – which comprises the processes and procedures for assessing the risks arising from the Company's activities such that capital held is commensurate with the level of risk; and it also sets out the strategy for maintaining adequate capital over time, including the setting of capital targets consistent with the risk profile of the Company, the Board's risk appetite and regulatory capital requirements.

The objective of the RMS is to describe and formalise the Company's approach to the management of risk by setting out:

- clear roles and responsibilities for the management of risk;
- an overview of integrated systems, policies and processes that support effective risk management;
- the risk types that impact the Company and its approach to managing those risks;
- the methodology by which the Company identifies, assesses and manages its risks in accordance with its risk appetite;
- the mechanisms by which the Company identifies and manages new and emerging risks; and
- reporting requirements for monitoring risks and the process for escalation where required.

The Company has an ICAAP that addresses the potential impact of all risk types to capital and solvency. The authority to take risk is clearly delegated through the Board's risk appetite statement. Subject matter experts are responsible for the management of each category of risk, including the impact of that risk on capital adequacy.

4. Management of risk *(continued)*

(a) Risk management framework *(continued)*

The broadest categorisation of risks is:

- Insurance risk
- Strategic risk
- Operational risk
- Financial risk, subcategorised as:
  - Market risk;
  - Credit risk;
  - Liquidity risk.

With the exception of strategic risk, these categories are discussed in the following sections, with financial risks separately discussed within Note 5. Strategic risk is the risk to profitable market share over a longer time horizon and is not directly applicable to annual financial statements.

The key risks within the business are considered at least annually by the Internal Audit department, resulting in an annual audit plan which is approved by the Risk, Compliance and Audit Committee (“RCAC”). The Internal Audit Department is independent of the day to day operational management of the Company. The Internal Audit Department executes a review of components of the internal control systems in accordance with the annual audit plan to assess the effectiveness of the internal controls, risk management within the Company and compliance with the RMS.

The Board requires that an active risk and governance culture development program is in place. This includes communication, promotion and engagement activities as well as training for new starters, training for managers, development of additional tools and Executive sponsorship (including modelling of behaviours by Executives and setting the appropriate ‘tone from the top’).

The Board requires that the remuneration structures in place across the organisation are appropriate, promote a strong risk culture and do not incentivise unethical or inappropriate behaviours. To align staff conduct with a strong risk culture, all staff are required to include in their personal performance objectives a requirement to demonstrate a strong risk culture through appropriate behavioural attributes.

Behavioural metrics are monitored and reported to the Executive Teams and the RCAC every six months to track progress and identify areas for improvement. Risk management behaviours are explicitly included in all employees’ performance objectives. The Boards expect that the risk culture initiatives are evaluated and improved over time.

(b) Insurance risk

(i) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks
The Company has an objective to manage insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values. Short-term variability is, to some extent, a feature of insurance business. Various procedures are put in place to control and mitigate the risks faced by the Company depending on the nature of each risk. The Company’s general insurance risk is monitored by the Chief Risk Officer and communicated regularly to the Board via the quarterly risk reports. Exposure to insurance risk is also monitored by the Appointed Actuary and is reported to the Board in the Appointed Actuary’s Financial Condition Report.

The performance of the Company and their continuing ability to write profitable business depends on their ability to identify and mitigate risks. Insurance risks are controlled through the use of underwriting procedures, adequate premium rates and policy charges, the ability to change premium rates for yearly renewable business and extensive reinsurance arrangements. Controls are also maintained over claims management practices to ensure the appropriate and timely payment of insurance claims. Insurance risks are monitored by internal management committees which report regularly to the board.

4. Management of risk *(continued)*

(b) Insurance risk *(continued)*

(i) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks (continued)

Reinsurance is used to limit exposure to large claims and catastrophes. When selecting a reinsurer, consideration is normally only given to companies on a list approved by Zurich Group head office, which assesses reinsurer security using rating information from the public domain or gathered through internal investigations. If the Group selects a reinsurer not on the approved list, a separate approval by Zurich Group is required before placing the risk.

In accordance with Prudential Standards CPS 220 Risk Management and GPS 230 Reinsurance Arrangements, issued by the Australian Prudential Regulation Authority (APRA), the Board and senior management of the Company have developed, implemented and maintained a Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

The RMS and the REMS identify the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to enable compliance with legislative and prudential requirements and that the Board has satisfied itself as to compliance with the RMS and REMS.

The RMS and REMS have been approved by the Board.

Key aspects of the processes implemented to manage risks arising from insurance contracts include:

- A formal annual risk profiling assessment that focuses on key risks that impact the achievement of strategic and business objectives, including the development of action plans for the treatment and continuous monitoring of identified risks. This is bolstered by formal quarterly reviews of risk issues and progress against action plans;
- The maintenance and use of appropriate management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time;
- Actuarial models, using information from the management information systems, are used in calculating premiums and monitoring claims patterns. Past experience and actuarial methods are used as part of the process;
- Formally delegated authorities and documented guidelines are followed for underwriting and accepting insurance risks;
- Natural disasters exposure is monitored through use of models involving the collation of the Company's own exposure and wider environmental data, which support decisions on limiting exposure;
- Reinsurance is used to limit the Company's exposure to large single claims and catastrophes. When selecting a reinsurer consideration is normally only given to those companies on a list approved by Zurich Group head office, which assesses reinsurer security using rating information from the public domain or gathered through internal investigations. If the Company selects a reinsurer not on the approved list, a separate approval by Zurich Group is required before placing the risk;
- In order to limit concentrations of credit risk in purchasing reinsurance, the Company has regard to existing reinsurance assets including the level of exposure to any single reinsurer or group of related reinsurers.
- Placing reinsurance with other companies in the Zurich Group is used as an initial step on a significant portion of the reinsurance program to enable group-wide reinsurance purchasing efficiencies;
- The mix of assets in which the Company invests is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored to broadly align the sensitivity of asset values to changes in interest rates with the equivalent sensitivity of the expected pattern of claim payments; and
- The diversification of business over various classes of insurance and large numbers of uncorrelated individual risks reduces variability in loss experience.

4. Management of risk *(continued)*

(b) Insurance risk *(continued)*

(ii) Terms and conditions of insurance 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. Standard form contracts are formally approved through a full due diligence process. Any non-standard terms and conditions are signed off by appropriately experienced underwriters within a framework, which includes delegated authorities from the Chief Underwriting Officer.

(iii) Concentration of insurance risk

The Company's exposure to concentration of insurance risk is mitigated by a portfolio of diversified individual risks. Specific processes for monitoring identified key concentrations are set out below.

Risk	Source of concentration	Risk management measures
Natural catastrophes	Properties and motor vehicles concentrated in regions that are subject to: • Earthquakes; • Cyclones; • Hail storms; and • Other significant natural events.	The Company's underwriting strategy requires individual risk premiums to be differentiated in order to reflect the higher loss frequency in particular geographical areas. The Company has modelled aggregated risk using catastrophe models. Based on the probable maximum loss of a 1 in 250 year event per the models, the Company purchases catastrophe reinsurance cover to limit exposure to any single event.

Exposure to concentration of insurance risk is mitigated through diverse product lines.

(iv) Development of claims

There is a possibility that changes may occur in the estimate of the Company's obligations up until the time they are settled. The tables in Note 11(d) and (e) show the Company's estimates of total claims incurred for each accident year at successive year ends for classes of business that are typically resolved in more than one year.

(v) Impact of investment returns on pricing

The value of an insurance contract to the Company is in part driven by the investment returns achievable on premium paid. Typically this is estimated by the risk free interest rate currently available in the market. Prior to business being written, the risk is managed by regularly repricing product as interest rates materially change. Insurance and reinsurance contracts are generally entered into annually. At the time of entering into the contract all terms and conditions are negotiable or, in the case of renewals, renegotiable.

4. Management of risk *(continued)*

(c) Operational risks

Operational risk is the risk of loss or the risk of not achieving business objectives resulting from inadequate or failed internal processes, people, systems or from external events such as catastrophes, legislation, external fraud, or losses related to outsourcing. The Company has a comprehensive framework with a common approach to identify, assess, quantify, mitigate, monitor and report operational risk.

Generally, all business activities contain some aspect of operational risk. Therefore, ongoing initiatives and controls to manage operational risks are in place. The Company undertakes risk assessment to identify, assess, manage and monitor operational risk. Risk registers are developed and recorded in a central database, and include action plans for improvement of controls where required. The risk registers are regularly reviewed, updated and improved. Some functions are also subject to operational key controls which sets a minimum framework of operational controls. Risk Management facilitates the formal review of the risk registers on a risk-based approach. Projects with an expected budget over a defined threshold undergo a risk assessment.

A key control for operational risk is maintaining and developing capability of the Company's business continuity and disaster recovery to plan for the event of a major business disruption.

The Company considers controls to be key instruments for monitoring and managing operational risk including risk related to financial reporting. The Company's Internal Controls over Financial Reporting (ICFR) framework helps mitigate the risk of a significant misstatement in the financial statements. ICFR controls are subject to testing and are monitored by the Finance department, with any ineffective controls reported to the relevant management committee and the Risk Compliance and Audit Committee, with actions to rectify. Control testing performed by separate independent parties provides reasonable assurance over the design and operational effectiveness of controls.

5. Financial risk management

Financial risks are a broad category of risks, typically found in financial instruments, but impacting other items on the balance sheet including insurance contracts. They are typically divided into market risk, credit risk and liquidity risk.

Financial risks are generally monitored and controlled by selecting appropriate assets to back policy liabilities. The assets are regularly monitored by the Capital and Investment Management Committee ("CIMC") to provide comfort that there is no material asset and liability mismatching issues and other risks such as liquidity risk and credit risk are maintained within acceptable limits.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument, insurance contract issued or reinsurance contract held will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk); market interest rates (interest rate risk); and market prices (price risk). The risk is controlled by transacting all activities in accordance with approved mandates, strategies and limits. Market risk analysis is conducted on a regular basis and risk management controls provide comfort that positions are monitored against the portfolio risk limits. Market risk analysis is conducted on a total portfolio basis, including the effect of market movements on the valuation of insurance liabilities, and other balance sheet items, as well as the explicit impact on investments.

Interest rate risk generally arises from underlying interest rates changes at the same time as mismatches in duration of assets and liabilities. Therefore interest rate risk management is achieved through effective asset and liability cashflow management.

Price risk arises from negative changes in investment assets' value, including equity values, property values and liquidity constraints. Investments in equity are diversified and concentrations maintained within limits. Investments in property are maintained within agreed target levels and diversified where possible.

Asset and liability management techniques

A key aspect of market risk is to manage asset and liability mismatching issues. Asset and liability mismatching risk is the potential for unfavourable changes in the values of assets compared to liabilities that could adversely affect available financial resources due to movements in market factors such as interest rates, equity prices or foreign exchange rates.

The management of investments consists of analysis of market value and changes with respect of previous month and quarter; analysis of exposure and asset allocation; analysis of tail risk (to an expected shortfall of 99%); analysis of sensitivities (duration, convexity and volatility); stress testing (monetary impact on assets and liabilities of various interest rate, credit spread and equity index shocks); and analysis of credit exposures by rating, industry and seniority and portfolio concentration (all credit-sensitive assets are investment grade, above BB+).

The management of market risk, including asset and liability management is overseen by the CIMC. The ultimate controlling entity, Zurich Insurance Group Ltd's, risk policy provides constraints on the mix of investment assets.

The aggregate carrying value of financial assets and liabilities approximate their net fair values. The methods used to determine the carrying values of financial assets and liabilities are included in Note 1.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligations. Credit risk is assumed through three main mechanisms:

i) The assumption of credit risk through investments in corporate debt;
ii) Credit risk created through reinsurance, where a reinsurance asset represents an obligation of the reinsurer to the entity; and
iii) Receivables within the business, where the entity is owed payment or services by a third party. Most typically this is the receipt of invoiced funds.

The management of credit risk is overseen by the CIMC.

5. Financial risk management *(continued)*

(b) Credit risk *(continued)*

i) Investment assets

The carrying amounts of investment assets included in the balance sheet represent the Company's maximum exposure to credit risk in relation to these assets. Where entities have a right of set-off and intend to settle on a net basis, this set-off has been reflected in the financial statements in accordance with accounting standards.

	2023 $'000	2022 $'000
Cash and cash equivalents, term deposits and debt securities (held directly)		
AAA	424,288	405,276
AA	508,061	395,553
A	404,535	553,692
BBB	676,047	304,074
Total	2,013,431	1,658,595
Current	665,551	514,837
Non-current	1,347,880	1,143,758
Total	2,013,431	1,658,595

ii) Reinsurance

When selecting a reinsurer, the Company generally considers reinsurers on a list approved by Zurich Group, which assesses reinsurer security using rating information from the public domain or gathered through internal investigations. If the Company wishes to select a reinsurer that is not on the approved list it must obtain an exceptional approval from Zurich Group.

As at 31 December 2023, the S&P credit ratings for all of the Company reinsurers are BBB or better (2022: BBB or better).

Financial assets and liabilities arising from reinsurance contracts are stated in the Balance sheet at the amount that best represents the maximum credit risk exposure at balance date.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(iii) Other receivables

All receivables of the Company do not include material amounts that are either past due or impaired. Refer to note 12.

5. Financial risk management *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they come due without incurring unacceptable losses.

The Company's liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Prudent liquidity risk management implies maintaining sufficient cash, marketable securities and the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions.

The Company investment assets at fair value through profit and loss are shown in Note 10. The liquidity classification of these assets is based on the maturity terms of the underlying securities held by the unit trusts or directly held by the Company. All investments in unit trusts and on those investment contract liabilities which are on demand, have been disclosed as expected to be settled within 1 year or less and have been classified as current assets or liabilities. These securities are liquid assets and can be sold quickly if short term funding is required to meet financial liabilities.

2023	**Carrying amount**	**Expected cash flows (undiscounted)**				
	Total	0-1 yrs	1-5 yrs	5-10 yrs	10-15 yrs	> 15yrs
Assets	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	117,029	117,029	-	-	-	-
Receivables	20,777	20,777	-	-	-	-
Investment assets	2,031,590	658,260	998,757	240,585	108,539	25,449
Total assets	2,169,396	796,066	998,757	240,585	108,539	25,449
Liabilities						
Oher liabilities	128,438	128,438	-	-	-	-
Total liabilities	128,438	128,438	-	-	-	-

2022 (restated)	**Carrying amount**	**Expected cash flows (undiscounted)**				
	Total	0-1 yrs	1-5 yrs	5-10 yrs	10-15 yrs	> 15yrs
Assets	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	132,396	132,396	-	-	-	-
Receivables	18,005	18,005	-	-	-	-
Investment assets	1,772,928	473,469	985,029	251,826	37,503	25,101
Total assets	1,923,329	623,870	985,029	251,826	37,503	25,101
Liabilities						
Oher liabilities	76,680	76,680	-	-	-	-
Total liabilities	76,680	76,680	-	-	-	-

5. Financial risk management *(continued)*

(d) Derivative holdings

A derivative transaction is a contract where value is derived from the value of an underlying asset or index. The Company does not hold any direct derivative contracts.

(e) Fair value measurements

The aggregate carrying values of financial assets and financial liabilities approximate their net fair values. The methods used to determine the carrying values of financial assets and liabilities are included in the summary of significant accounting policies in Note 1.

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss ("FVTPL"); and
- Financial assets at fair value through other comprehensive income ("FVTOCI").

The following tables present the Company's assets and liabilities measured and recognised at fair value.

At 31 December 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurement				
Financial Assets				
Equity Securities	92,663	-	145	92,808
Debt Securities	-	1,799,787	-	1,799,787
Unit Trusts	-	16,931	-	16,931
Term deposit	96,615	-	-	96,615
Shares in related entities	-	-	25,449	25,449
Total Investments	189,278	1,816,718	25,594	2,031,590

At 31 December 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurement				
Financial Assets				
Equity Securities	164,781	-	-	164,781
Debt Securities	-	1,433,907	-	1,433,907
Unit Trusts		21,975	-	21,975
Term deposit	92,292	-	-	92,292
Shares in controlled entities	-	-	59,973	59,973
Total Investments	257,073	1,455,882	59,973	1,772,928

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter securities) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

5. Financial risk management *(continued)*

(e) Fair value measurements *(continued)*

If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

During the year, the Company sold 30% of the interest held in its controlled entity, a property company, reducing its holdings from 60% to 30%. This investment is valued at 30% of the net asset value of the property company. ZFSA engages external, independent and qualified valuers to determine the fair value of the Group's property asset at the end of every financial year. As at 31 December 2023, the fair value of the property asset has been determined by Savills, which management adopts as the valuation.

The following table presents the changes in level 3 instruments.

	2023 $'000	2022 $'000
Opening balance 1 January	59,973	47,807
Transfer into level 3	145	-
Disposals	(27,772)	-
Capital injections	-	12,600
Loss recognised in statement of comprehensive income	(6,752)	(434)
Closing balance 31 December	25,594	59,973

	2023 $'000	Restated 2022 $'000
6. Insurance service result		
(a) Insurance Revenue		
Insurance revenue recognised for service provided	1,935,654	1,625,151
Total insurance revenue (see Note 11(a))	1,935,654	1,625,151
(b) Insurance service expenses		
Incurred claims and other insurance service expense	(1,173,109)	(1,073,879)
Amortisation of acquisition cash flows	(504,865)	(384,825)
Losses and reversal of losses on onerous contracts	(426)	-
Adjustments to liabilities for incurred claims	(1,289)	(797)
Total insurance service expenses (see Note 11(a))	(1,679,689)	(1,459,501)
(c) Net expense from reinsurance contracts		
Allocation of reinsurance premium paid	(326,026)	(308,591)
Loss-recovery components - recognition and reversal	226	-
Recoveries of incurred claims and other insurance service expenses	184,944	269,046
Adjustments to assets for incurred claims	747	(3,338)
Total net expense from reinsurance contracts (see Note 11(b))	(140,109)	(42,883)

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	2023 $'000	Restated 2022 $'000
7. Net financial results		
(a) Investment income		
Interest revenue calculated using effective interest method	66,475	35,964
Dividends	6,197	7,747
Net gains/(losses) on financial assets at fair value through profit or loss	6,703	(111,646)
Net fair value losses on derecognition of financial assets measured at fair value through other comprehensive income	(6,304)	-
Other	3,931	1,487
Total investment income	77,002	(66,448)
(b) Net finance expense from insurance contracts		
Interest accreted at locked-in rates	(44,385)	(14,608)
Effect of changes in interest rates and other financial assumptions	(15,307)	61,958
Total net finance expense from insurance contracts	(59,692)	47,350
Represented by:		
Amount recognised in profit or loss	(44,385)	(14,608)
Amount recognised in OCI	(15,307)	61,958
Total net finance expense from insurance contracts	(59,692)	47,350
(c) Net finance income from reinsurance contracts held		
Interest accreted at locked-in rates	17,662	7,456
Effect of changes in interest rates and other financial assumptions	5,852	(23,793)
Effect of changes in non-performance risk of reinsurers	23,514	(16,337)
Represented by:		
Amount recognised in profit or loss	17,662	7,456
Amount recognised in OCI	5,852	(23,793)
Total net finance expense from reinsurance contracts held	23,514	(16,337)

	2023 $'000	2022 $'000
8. Other income		
Management fees	6,995	7,258
Fee income	2,964	3,536
Other income	254	121
Total other income	10,213	10,915

	2023	Restated 2022
9. Income tax	$'000	$'000
(a) Income tax expense		
Current tax	51,501	(235)
Deferred tax	(12,756)	(3,649)
Over/(under) provision in prior years	(259)	(77)
Total income tax expense/(benefit)	38,486	(3,961)
Deferred income tax (revenue)/ expense included in income tax expense comprises:		
Decrease/(increase) in net deferred tax assets/liability (Note 9(f))	(12,756)	(3,649)
	(12,756)	(3,649)
(b) Income tax recognised in OCI		
Items that are or may be reclassified subsequently to profit or loss		
Fair value change in investments carried at fair value through OCI	12,642	-
Net finance expenses from insurance contracts	(4,481)	18,363
Net finance income from reinsurance contracts	1,776	(7,041)
Income tax recognised in OCI	9,937	11,322
(c) Numerical reconciliation of income tax to prima facie tax payable		
Profit/(Loss) before tax	128,565	16,950
Tax at the Australian tax rate of 30% (2022 - 30%)	38,569	5,085
Tax offset for franked dividends	(1,110)	(2,068)
Non taxable dividends	(315)	-
Unrealised losses of related entities	2,026	130
Value of deferred tax assets	(392)	(6,676)
Other	(33)	(356)
Under/(Over) provision in prior year	(259)	(76)
Income tax expense/(benefit)	38,486	(3,961)

(d) Temporary differences relating to investment in controlled entities

As there is no intention of the Company to sell the investments in controlled entities, and it is expected that the controlled entities will remain in the tax consolidated group for the foreseeable future, the reversal of the temporary differences will have no income tax consequences for the Company. The transactions between a tax consolidated subsidiary and its parent, including the distribution of dividends from the subsidiary to the parent, are not taken into account for income tax purposes. Accordingly, the tax balance sheet value of the investment in the controlled entities is equal to its accounting carrying value and no temporary difference exists.

(e) Tax consolidation legislation

ZFSA and the members of the tax consolidated group implemented the tax consolidation legislation on 1 October 2003. The accounting policy in relation to this legislation is set out in Note 1(n).

9. Income tax (continued)

(f) Net deferred tax asset / (liability)

	2023 $'000	Restated 2022 $'000
Net deferred tax asset / (liability)		
Deferred tax asset	581	1,515
Deferred tax liability	(19,678)	(23,621)
Net deferred tax asset /(liability)	(19,097)	(22,106)
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Provisions and accruals	19	444
Provision for insurance acquisition cash flow (IACF) asset	(3,711)	(2,693)
Indirect claim adjustment expense	21,412	16,418
Tax losses	3,490	5,322
Difference between tax and accounting basis of (re)insurance contracts	(40,312)	(30,940)
Other	5	-
Amounts recognised in OCI		
Effects of discounting included in OCI	-	(10,657)
Net deferred tax asset / (liability)	(19,097)	(22,106)
Deferred tax asset / (liability) movements		
Opening balance at 1 January	(22,106)	(14,460)
Charged to profit and loss	(9,946)	(11,295)
Charged to statement of other comprehensive income	12,756	3,649
Transfer from other entities	199	-
Closing balance at 31 December	(19,097)	(22,106)

The Company only recognises deferred tax assets in respect of unused tax losses incurred by the New Zealand branch to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The Company has undertaken an analysis conducted in the current financial year, if the expected underlying profit of the New Zealand business continues at the current pace, the recoverability of prior year losses in future is feasible. Therefore, DTA is fully recognised as at 31 December 2023.The deferred tax asset been recognised as at 31 December 2023 is $0.6 million (2022: $1.6 million).

10. Investment assets

	2023			2022		
	$'000 FVTPL	$'000 FVTOCI	$'000 Total	$'000 FVTPL	$'000 FVTOCI	$'000 Total
Current						
Term deposit	96,615	-	96,615	92,292	-	92,292
Equity securities	92,808	-	92,808	164,781	-	164,781
Debt securities	4,866	1,794,921	1,799,787	1,433,907	-	1,433,907
Unit trusts	16,931	-	16,931	21,975	-	21,975
Total investment assets (exc shares in related entities)	211,220	1,794,921	2,006,141	1,712,955	-	1,712,955
Shares in related entities	25,449	-	25,449	59,973	-	59,973
Total investment assets	236,669	1,794,921	2,031,590	1,772,928	-	1,772,928

On the adoption of AASB 9 on 1 January 2023, as described in note 1 $1,421 million of debt securities were reclassified from FVTPL to FVTOCI.

11. Insurance and reinsurance contracts

(a) Movements in insurance contract balances

	2023					2022 (restated)				
	Liability for remaining coverage		Liability for incurred claims			Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment	Total	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening liabilities	325,652	119	1,687,626	44,955	2,058,350	301,175	11,765	1,604,833	45,234	1,963,006
Changes in the statement of profit or loss and OCI										
Insurance revenue										
Contracts under the full retrospective approach	(1,935,654)	-	-	-	(1,935,654)	(1,625,151)	-	-	-	(1,625,151)
Insurance service expenses										
Incurred claims and other insurance service expenses	-	-	1,173,109	1,289	1,174,398	-	(11,646)	1,085,525	797	1,074,676
Amortisation of acquisition cash flows	504,865	-	-	-	504,865	384,525	-	-	-	384,525
Losses and reversal of losses on onerous contracts	-	426	-	-	426	-	-	-	-	-
Insurance service result	(1,430,789)	426	1,173,109	1,289	(255,965)	(1,240,626)	(11,646)	1,009,899	797	(165,650)
Net finance expenses for insurance contracts	-	-	58,560	786	59,346	-	-	(45,180)	(1,070)	(46,251)
Effects of movements in exchange rate	101	-	149	4	254	-	-	(249)	(5)	(254)
Total changes in the statement of profit or loss and OCI	(1,430,688)	426	1,231,818	2,079	(196,365)	(1,240,626)	(11,646)	964,471	(279)	(212,154)
Cash flows										
Premium received	1,944,196	-	-	-	1,944,196	1,669,510	-	-	-	1,669,510
Claims and other insurance service expenses paid	-	-	(1,107,607)	-	(1,107,607)	-	-	(957,304)	-	(957,304)
Insurance acquisition cash flows	(473,789)	-	-	-	(473,789)	(397,708)	-	-	-	(397,708)
Total cash flows	1,470,407	-	(1,107,607)	-	362,800	1,271,802	-	(957,304)	-	314,499
Other movements	(9,900)	-	(2,500)	-	(12,400)	(7,000)	-	-	-	(7,000)
Div 3a transfer	352	-	3,080	245	3,677	-	-	-	-	-
Closing liabilities	355,823	545	1,812,417	47,279	2,216,064	325,652	119	1,687,626	44,955	2,058,350

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11. Insurance and reinsurance contracts *(continued)*

(b) Movements in reinsurance contract balances

	2023					2022 (restated)				
	Asset for remaining coverage		Asset for incurred claims			Asset for remaining coverage		Asset for incurred claims		
	Excluding loss recovery component $'000	Loss recovery component $'000	Present value of future cash flows $'000	Risk adjustment $'000	Total $'000	Excluding loss recovery component $'000	Loss recovery component $'000	Present value of future cash flows $'000	Risk adjustment $'000	Total $'000
Opening assets	56,666	115	763,421	19,506	839,709	58,539	2,418	771,886	23,176	856,019
Changes in the statement of profit or loss and OCI										
Allocation of reinsurance premium paid	(326,026)	-	-	-	(326,026)	(308,591)	-	-	-	(308,591)
Amounts recoverable from reinsurers										
Recoveries of incurred claims and other insurance service expenses	-	-	184,944	-	184,944	-	(2,304)	271,350	-	269,046
Adjustments to assets for incurred claims	-	-	-	747	747	-	-	-	(3,338)	(3,338)
Loss-recovery components - recognition and reversal	-	226	-	-	226	-	-	-	-	-
Net expenses from reinsurance contracts	(326,026)	226	184,944	747	(140,109)	(308,591)	(2,304)	271,350	(3,338)	(42,883)
Effects of changes in non-performance risk of reinsurers	21	-	202	6	229	-	-	-	3	3
Net finance income from reinsurance contracts	-	-	23,719	283	24,002	-	-	(14,909)	(334)	(15,243)
Total changes in the statement of profit or loss and OCI	(326,005)	226	208,865	1,036	(115,878)	(308,591)	(2,304)	256,440	(3,669)	(58,123)
Cash flows										
Reinsurance premium paid	320,216	-	-	-	320,216	306,718	-	-	-	306,718
Recoveries on claims and other insurance service expenses		-	(202,095)	-	(202,095)	-	-	(264,905)	-	(264,905)
Total cash flows	320,216	-	(202,095)		118,121	306,718		(264,905)	-	41,813
Other movements	-	-	(845)	-	(845)	-	-	-	-	-
Division 3a transfer	-	-	33	-	33	-	-	-	-	-
Closing assets	50,878	341	769,379	20,542	841,140	56,666	115	763,421	19,506	839,709

11. Insurance and reinsurance contracts *(continued)*

(c) Maturity profiles

The following table summarises the maturity profile of portfolios of insurance contract issued and portfolios of reinsurance contracts held that are liabilities of the Company based on the remaining contractual undiscounted net cash flows in the periods presented.

2023	Total amount	Expected cash flows (undiscounted)					
		0-1 yrs	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5yrs
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Asset for remaining coverage	51,219	(34,914)	40,292	17,433	8,816	5,738	13,854
Asset for incurred claims	848,787	454,802	146,327	76,818	51,134	35,794	83,912
Total assets	900,006	419,888	186,619	94,251	59,950	41,532	97,766
Liabilities							
Liability for remaining coverage	356,368	(128,967)	279,867	83,575	41,951	26,325	53,617
Liability for incurred claims	2,013,992	1,021,492	340,784	197,149	133,834	91,733	229,000
Total liabilities	2,370,360	892,525	620,651	280,724	175,785	118,058	282,617

2022 (restated)	Total amount	Expected cash flows (undiscounted)					
		0-1 yrs	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5yrs
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Asset for remaining coverage	56,781	(2,457)	17,556	13,545	9,628	6,418	12,091
Asset for incurred claims	779,282	421,667	146,636	84,116	49,564	32,307	44,992
Total assets	836,063	419,210	164,192	97,661	59,192	38,725	57,083
Liabilities							
Liability for remaining coverage	325,770	(102,300)	237,561	79,437	42,041	24,030	45,001
Liability for incurred claims	1,874,062	959,123	324,573	195,039	132,384	90,914	172,029
Total liabilities	2,199,832	856,823	562,134	274,476	174,425	114,944	217,030

11. Insurance and reinsurance contracts *(continued)*

(d) Claims development tables - insurance contract liabilities

The following tables show the development of gross and net ultimate undiscounted incurred claims for the ten most recent accident years for classes of business that are typically resolved in more than one year, plus the outstanding claims allowance for short-tail claims. Gross outstanding claims include claims from inwards reinsurance.

Accident year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
End of accident year	217,650	196,711	197,090	185,201	245,596	201,649	217,818	219,829	200,876	214,370	
One year later	252,147	194,348	257,095	239,445	254,272	241,966	202,742	187,650	184,210		
Two years later	248,090	175,764	290,808	224,138	271,675	246,778	187,497	182,856			
Three years later	244,889	166,663	311,332	287,564	279,327	263,832	172,681				
Four years later	253,300	158,913	312,335	286,785	301,624	271,277					
Five years later	249,111	166,033	304,575	292,991	293,890						
Six years later	279,859	171,991	302,788	321,260							
Seven years later	242,784	171,490	313,537								
Eight years later	239,891	174,038									
Nine years later	239,690										
Current estimate of incurred	239,690	174,038	313,537	321,260	293,890	271,277	172,681	182,856	184,210	214,370	2,367,809
Cumulative payments	227,074	165,427	286,441	203,567	168,939	145,296	78,601	57,336	37,545	16,803	1,387,029
LIC - undiscounted	12,616	8,611	27,096	117,693	124,951	125,981	94,080	125,520	146,665	197,567	980,780
2013 & Prior											124,332
Short tail and other LIC											811,981
Claim Handling Expense											46,287
LIC - discount											(150,963)
Present value of fulfillment cash flows											1,812,417
Risk adjustment											47,279
Total LIC											1,859,696

11. Insurance and reinsurance contracts *(continued)*

(e) Claims development tables - net of reinsurance contract assets

Accident year	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	Total $'000
End of accident year	154,513	134,064	139,662	91,942	139,601	132,818	149,902	162,548	151,480	244,435	
One year later	167,654	145,285	164,014	98,690	142,687	162,710	143,952	144,755	130,384		
Two years later	161,803	131,532	170,437	96,559	152,349	172,488	134,413	141,939			
Three years later	150,577	127,572	166,602	104,043	172,437	186,190	134,071				
Four years later	146,773	118,604	171,544	99,936	181,850	195,326					
Five years later	138,056	128,028	161,963	97,997	179,797						
Six years later	140,483	129,296	159,429	98,334							
Seven years later	140,939	127,644	157,723								
Eight years later	131,779	98,852									
Nine years later	111,945										
Current estimate of incurred	111,945	98,852	157,723	98,334	179,797	195,326	134,071	141,939	130,384	244,435	1,492,806
Cumulative payments	131,246	122,620	146,678	87,061	115,191	111,017	65,459	52,624	35,259	16,560	883,715
Net LIC - undiscounted	(19,301)	(23,768)	11,045	11,273	64,606	84,309	68,612	89,315	95,125	227,875	609,091
2013 & Prior											74,721
Short tail and other net LIC											406,972
Claim handling expense											46,287
Discount											(94,033)
Present value of fulfillment cash flows											1,043,038
Risk Adjustment											26,737
Total net LIC											1,069,775

	Note	Present value of future cash flows $'000	Risk adjustment $'000	Total $'000
Gross Liabilities for incurred claims	11(a)	1,812,417	47,279	1,859,696
Amounts recoverable from reinsurers	11(b)	(769,379)	(20,542)	(789,921)
Total net liabilities for incurred claims		1,043,038	26,737	1,069,775

Notes to the financial statements
For the year ended 31 December 2023

	2023 $'000	Restated 2022 $'000
12. Other Assets		
Receivables		
Investment income accrued and receivables	17,550	12,981
Due from related entities	244	76
Other receivables	2,983	4,948
Total receivables	20,777	18,005
Other assets		
Related party prepayments	9,063	6,465
Other prepaid expenses	2,023	1,572
Total other assets	11,086	8,037
Total other assets	31,863	26,042
13. Provision and other liabilities		
Current payables		
Due from related entities	7,128	82
Intercompany payable to head tax entity	56,449	6,249
Non-resident reinsurance tax	7,794	8,327
Stamp duty	13,310	11,188
Other payables	18,335	39,459
Total current payables	103,016	65,305
Current provision		
Premium refund[1]	15,700	7,000
Other[2]	9,722	4,375
Total current provisions	25,422	11,375
Total current other liabilities	128,438	76,680

Movements in current provision	Premium refund 2023 $'000	Other 2023 $'000	Premium refund 2022 $'000	Other 2022 $'000
Carrying amount at the start of the year	7,000	4,375	-	678
Additional provision recognised	8,700	5,705	7,000	3,725
Payments/other sacrifices of economic benefits	-	(353)	-	(28)
Foreign exchange	-	(5)	-	-
Carrying amount at the end of the year	15,700	9,722	7,000	4,375

1. A provision was set up to in relation to premium refunds and operational costs to reimburse customers for excess premiums charged.

2. Other provisions predominantly comprises provisions relating to indirect taxes.

Notes to the financial statements
For the year ended 31 December 2023

14. Contributed equity

Share capital	2023	2022	2023	2022
	No. of shares	No. of shares		
Ordinary shares - fully paid	'000	'000	$'000	$'000
Opening balance at 1 January	13,236	13,236	97,065	97,065
Closing balance at 31 December	13,236	13,236	97,065	97,065

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.

The Company manages its capital so that it will be able to continue as a going concern including compliance with capital requirements imposed by relevant legislation and the industry regulators, APRA and Australian Securities and Investments Commission. The Company aims to maintain capital beyond minimum requirements as described below.

The capital structure of the Company consists of issued capital, reserves and retained profits. The Board's risk appetite statement sets out the level of capital to be targeted by the Company.

The Company is required by APRA to maintain capital in excess of its Prescribed Capital Requirement (PCR). The PCR is intended to be broadly commensurate with the full range of risks to which an insurer is exposed (including risks relating to insurance claims, investments, counterparty default, asset-liability mismatches, catastrophic events and operational errors). Certain assets (such as deferred tax assets, goodwill and other intangibles) cannot be used to meet the PCR. Refer to note 21 for calculation of capital base and PCR.

15. Cash flow statement reconciliation

	2023	Restated 2022
	$’000	$’000
(a) Cash and cash equivalents		
Cash at bank and on hand	117,029	131,054
Term deposit (with original maturity of 90 days or less)	-	1,342
Total cash and cash equivalents	117,029	132,396
(b) Operating cash flow reconciliations		
Profit from ordinary activities after income tax	90,079	20,911
Net proceeds/(payments) from sale of investments	(1,109)	127,637
Net foreign exchange difference	(244)	224
(Increase)/decrease in operating assets:		
Reinsurance contract assets	4,451	(7,482)
Other assets	(8,747)	(26,042)
Increase/(decrease) in operating liabilities:		
Provisions for tax	45,200	371
Other liabilities	(715)	(1,092)
Deferred tax liabilities	(12,747)	(3,677)
Insurance contract liabilities	138,728	157,302
Net cash inflows from operating activities	254,896	268,152

16. Remuneration of auditors

	2023 $	2022 $
Remuneration for Ernst & Young audit or review of the financial reports of the company:		
Statutory audit fees	394,383	376,273
	394,383	376,273
Remuneration for Ernst & Young Australia other services:		
Other regulatory and assurance services	259,496	133,091
Total other services	259,496	133,091

17. Contingent liabilities

	2023 $'000	2022 $'000
The company had the following unsecured contingent liabilities for which no provision had been made in the financial statements:		
Allstate Insurance Company	84	85
Letter of Credit - ZIC Canada	555	544
	639	629

Details of significant contingent liabilities are as follows:

(a) The Allstate Insurance Company is a bank guarantee from Westpac in favour of the Allstate Insurance Company for the services of the Company acting as reinsurer for Allstate Insurance Company.

(b) Standby letter of credit issued by RBC Royal Bank (Canada) at the Company's request, in favour of ZIC Canadian Branch to provide security for reinsurance recoverable under policies issued by ZIC Canada at the Company's request which are reinsured to the Company.

18. Related parties

(a) Directors

The names of persons who were directors of the Company at any time during the financial year are as follows:

Geoffrey Edward Summerhayes
John Francis Mulcahy
Matthew Reilly
Justin Sean Delaney
Mary Brigid Waldron
Nicolette Liesbeth Rubinsztein
Noel Edward Condon

(b) Key management personnel compensation

Key management personnel compensation for the years ended 31 December 2023 and 2022 is set out below.

The key management personnel comprise all the directors of the Company and their compensation is paid by ZFSA. The amounts disclosed below reflect the total compensation attributable to the key management personnel in their duties as employees or directors of various entities. Any executive director's compensation is not able to be allocated to the individual entities whose affairs they manage or control. As a result of changes in remuneration structures in the current year, non-executive director fees have not been allocated by individual entity whereas in the prior year non-executive directors were remunerated by individual entity.

	Notes	2023	2022
		$	$
Short-term employee benefits		2,694,525	2,002,037
Share-based payments / benefits	(i)	1,559,733	1,028,019
		4,254,258	3,030,056

(i) Share based payments / benefits

The Global Long Term Incentive Plan (LTIP) is an executive incentive plan administered globally by a central share holding vehicle. ZFSA purchases the right to shares from this holding vehicle for Australian resident executives who participate in the plans. When shares vest with the participants, the central share vehicle transfers those shares directly to the participants. ZFSA does not bear any exchange or price risk in relation to payments for these rights to shares.

18. Related parties *(continued)*

(c) Aggregate amounts receivable from related entities at balance date

	2023 $	Restated 2022 $
Current		
Ultimate Australian controlling entity	174,051	1,315,609
Other related entities	41,621	76,032
Total receivables from related entities	215,672	1,391,641

(d) Aggregate amounts payable to related entities at balance date

Current		
Ultimate Australian controlling entity	5,734,491	25,571,072
Other related entities	2,741,352	82,333
Intercompany payable to head tax entity	51,448,897	6,248,821
Total payable to related entities	59,924,740	31,902,226

Expenses incurred by the parent and recharged to the Company include those related to the cost of human resources, lease and equipment and other miscellaneous operating expenses. As a consequence, no additional information on the nature of expenses has been included within the financial statements.

(e) Aggregate amounts recognised in respect of the following balances and transactions

Ultimate Australia controlling entity		
Payment of other expenses and insurance service expenses	155,424,419	148,950,213
Dividend payment	73,000,000	29,000,000
Other related entities		
Recoveries of incurred claims and other insurance service expenses	162,327,157	272,219,392
Allocation of reinsurance premium paid	(269,999,499)	(250,214,541)
Assets for Incurred Claims	668,757,092	683,273,437
Assets for remaining coverage	15,258,928	28,911,048
Liability for Incurred Claims	(38,227,041)	(36,830,287)
Liability for remaining coverage	43,511,423	48,434,817
Investment expenses	966,687	(719,881)
Payment of other expenses	3,764,273	(2,357,537)
Receipt of other income	742,752	379,323

18. Related parties *(continued)*

(f) Related parties of Zurich Australian Insurance Limited fall into the following categories:

(i) Controlling entities
The ultimate controlling entity is Zurich Insurance Group Ltd, incorporated in Switzerland. The ultimate Australian controlling entity is ZFSA and is incorporated in Australia.

Information in relation to investments in related entities held by the company is set out in note 19.

(ii) Other related entities
The Reinsurance arrangements for outward treaties ceded to related overseas reinsurers are in accordance with APRA Prudential Standard GPS 230 - Reinsurance Management.

19. Investments in related entity

	Class of shares	Equity holding		Carrying amount		Principle activities
		2023	2022	2023	2022	
Related entity		%	%	$'000	$'000	
Zurich Australian Insurance Properties Pty Limited	Ordinary	30	60	25,449	59,973	Property management
				25,449	59,973	

Note: All entities are incorporated in Australia.

The directors are satisfied that the carrying value of investments in the related entity is not in excess of recoverable amount.

The related entity is incorporated in Australia. The country of incorporation or registration is also its principal place of business.

During the year, the Company sold 30% of the interest held in its controlled entity, a property company, to a related party within ZFSA, Zurich Australia Limited, reducing its holdings from 60% to 30%.

20. Transfer of insurance business

On 1 December 2023, a transfer of insurance business under Division 3A of Part III of the Insurance Act 1973 from OnePath General Insurance Pty Limited to the Company was undertaken following approval by the Federal Count of Australia. Assets and liabilities transferred to the Company are set out below.

	2023 $'000
Assets	
Cash and cash equivalents	13,146
Reinsurance contract assets	33
Deferred tax assets	197
Total assets	13,376
Liabilities	
Insurance contract liabilities	3,677
Other liabilities	5,202
Total liabilities	8,879
Net assets	4,497

21. Capital adequacy for Zurich Australian Insurance Limited

(a) Regulatory capital

The Company is an insurance business registered and regulated by the APRA and is subject to its prudential standards. The Company uses the standardised framework to calculate the regulatory capital requirements to meet policyholder obligations. It is the Company's policy to maintain an adequate capital position.

The Company set its long-term target capital ranges to a total capital adequacy multiple position equivalent to 1.45-1.65 times the PCR, compared to a proposed regulatory requirement of 1.0 times. The capital adequacy multiple for the Company for 2023 is 1.55 (2022: 1.48).

In 2023, APRA released new prudential standards to integrate AASB 17 into the capital and reporting framework. The 2023 capital requirement in the table below was determined based on those revised standards, effective from 1 July 2023.

	2023 $'000	2022 $'000
Eligible tier 1 capital		
Paid-up ordinary shares	97,065	97,065
General reserves	(6,595)	7,103
Retained earnings brought forward	477,474	369,876
Current years earnings	90,079	44,659
Excess technical provision - net of tax	(177,885)	92,187
Total	480,138	610,890
Adjustment from tier 1 capital	143,586	(19,167)
Total capital base	623,724	591,723
Insurance risk capital charge	229,825	205,266
Asset risk charge	193,004	211,794
Operational risk charge	59,379	62,255
Insurance concentration risk capital charge	17,500	17,500
Less: aggregation benefit	(97,526)	(97,880)
Prescribed capital requirement (PCR)	402,182	398,935
PCR coverage	1.55	1.48

The Company does not have any Tier 2 capital.

22. Events occurring after reporting date

The directors have not become aware of any matter or circumstance not otherwise dealt with in the financial statements that has significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

ZURICH AUSTRALIAN INSURANCE LIMITED

Directors' declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 5 to 50 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the Company's financial position as at 31 December 2023 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and

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

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

G E Summerhayes	M B Waldron
Chairman	Director

Sydney
5 March 2024

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Independent auditor's report to the members of Zurich Australian Insurance Limited

Opinion

We have audited the financial report of Zurich Australian Insurance Limited (the Company), which comprises the balance sheet as at 31 December 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Building a better
working world

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

Ernst & Young

Ernst & Young

David Jewell

David Jewell
Partner
Sydney
5 March 2024

ZURICH

Zurich Australian Insurance Limited

Section 78 Report for the year ending 31 December 2023

Zurich Australian
Insurance Limited
ABN 13 000 296 640
Finance

Author	Garth Brooker, BComm BSc FIAA
Version	Final
Version Date	5 March 2024

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Section 59 Exemption

A full licence for Zurich Australian Insurance Limited ("ZAIL") to operate insurance business in New Zealand was granted by RBNZ on 15 July 2013. The modifications to the conditions of licence were issued by RBNZ on the 11 December 2015 with a Section 59 exemption effective as at and from 31 December 2015. The Section 59 exemption notice was modified, effective 1 January 2023, to reflect the change in accounting standard for insurance business from IFRS 4 to IFRS 17, the RBNZ's issue of Interim Solvency Standard 2023 and the RBNZ's update of insurer data reporting requirements. For the purposes of S59 exemption, actuarial information relates to the following items within the financial statement:

- The liability for remaining coverage:
  - Central estimate of expected claims and recoveries.
  - Allowance for policy administration and claim-handling expenses.
  - A risk adjustment.
  - Discounting as required.
- The liability for incurred claims:
  - Central estimate of expected claims and recoveries.
  - Allowance for claim-handling expenses.
  - A risk adjustment.
  - Discounting as required.
- The reinsurance liability for remaining coverage.
- The reinsurance liability for incurred claims.
- Any deferred acquisition cost or deferred fee revenue relevant to the liability for remaining coverage.
- Results of any tests for onerousness, as detailed in NZ IFRS 17.

Under the S59 exemption, ZAIL is exempted from compliance with the "Solvency Standard for Non-life Insurance Business" and is to report its solvency position under the APRA prudential standards.

Scope

I, Garth Brooker, BComm BSc FIAA FNZSA am the Appointed Actuary for the NZ Branch of Zurich Australian Insurance Company ('ZAIL'). The Board of ZAIL has resolved that I prepare this Section 78 report in my capacity as Appointed Actuary of ZAIL (NZ Branch). I am an employee of ZAIL's holding company, Zurich Financial Services Australia Limited ("ZFSA"). This report is in respect of the year ending 31 December 2023. The audited 2023 ZAIL annual financial statements are separately provided with this report.

Compliance

This S78 report is prepared in accordance with requirements set out in

- S59 exemption
- Section 78 of the Act
- the Actuaries Institute Code of Professional Conduct.

Reliance and Limitations

This report is based on the audited accounts for ZAIL for the year ending 31 December 2023 and reliance has also been placed upon information supplied by the management and staff of ZAIL.

Under the Act, ZAIL is required to present this S78 report with the auditor's report on the financial statements when the auditor's report is registered with the Companies Office or included within the company's annual report. As such, this report may be distributed in its entirety to the Companies Office. If this report is to be made available to any other parties, it must be distributed in its entirety.

In my opinion, information provided to me was adequate for the purposes of the S78 Report and all information requested was made to me on a sufficiently timely basis.

Conclusion

I confirm I have reviewed the liabilities and assets for remaining coverage, liabilities and assets for incurred claims, and onerous contracts test results disclosed in the 2023 ZAIL annual financial statements. For the deferred acquisition costs and deferred fee revenue, I have discussed with ZAIL's Financial Accounting Reporting team on the source of information, methodology, and control processes between the ledger and source systems to ensure the veracity of the information at 31 December 2023.

In my opinion and from an actuarial perspective,

- the actuarial information (as specified in Section 77 of the Act) contained in the 2023 ZAIL annual financial statements has been appropriately included in those statements; and
- the actuarial information (as specified in Section 77 of the Act) used in the preparation of the 2023 ZAIL annual financial statements has been used appropriately; and
- in accordance with the S59 exemption, ZAIL has an adequate solvency margin (as measured by APRA's capital prudential requirement) as of 31 December 2023.