MEDICAL INSURANCE SOCIETY LIMITED

STATEMENT OF COMPREHENSIVE INCOME / (LOSS)

for the year ended 31 March 2024

	Note	2024 $000	Restated 2023 $000
Insurance revenue	2.1	140,198	113,580
Insurance service expense		(71,325)	(180,520)
Insurance service result before reinsurance contracts held		**68,873**	**(66,940)**
Allocation of reinsurance premiums	2.2	(38,305)	(30,387)
Amounts recoverable from reinsurers for incurred claims	2.2	(8,933)	99,134
Net (expense) / income from reinsurance contracts held		**(47,238)**	**68,747**
Insurance service result		**21,635**	**1,807**
Interest revenue calculated using the effective interest method		3,964	2,225
Interest paid	6.4	(101)	(73)
Investment income / (loss)	3.1	3,031	(961)
Total investment income		**6,894**	**1,191**
Insurance finance (expense) / income		**(41)**	**33**
Net insurance financial result		**(41)**	**33**
Other expenses		(12,755)	(9,536)
Other income		473	863
Net profit / (loss)		**16,206**	**(5,642)**
Other comprehensive income		-	-
Total comprehensive income / (loss)		**16,206**	**(5,642)**

The accompanying notes form part of and should be read in conjunction with these financial statements.

The Company adopted NZ IFRS 17 Insurance Contracts from 1 April 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 6.1.

MEDICAL INSURANCE SOCIETY LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2024

	Note	Share Capital $000	Retained (Loss)/Earnings $000	Total $000
At 1 April 2023 (restated)		**48,800**	**(2,234)**	**46,566**
Net profit / (loss)		-	16,206	16,206
Other comprehensive income		-	-	-
Total comprehensive income / (loss)		-	16,206	16,206
Dividends		-	-	-
At 31 March 2024		**48,800**	**13,972**	**62,772**

	Note	Share Capital $000	Retained (Loss)/Earnings $000	Total $000
At 1 April 2022, as previously reported		**38,000**	**4,456**	**42,456**
Impact of adoption of NZ IFRS 17	6.1	-	(1,048)	(1,048)
At 1 April 2022 (restated)		**38,000**	**3,408**	**41,408**
Net profit / (loss)		-	(5,642)	(5,642)
Other comprehensive income		-	-	-
Total comprehensive income / (loss)		-	(5,642)	(5,642)
Issue of share capital	5.1	10,800	-	10,800
At 31 March 2023 (restated)		**48,800**	**(2,234)**	**46,566**

The accompanying notes form part of and should be read in conjunction with these financial statements.

The Company adopted NZ IFRS 17 Insurance Contracts from 1 April 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 6.1.

MEDICAL INSURANCE SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION

as at 31 March 2024

	Note	2024 $000	Restated 2023 $000	Restated 1/04/2022 $000
Equity				
Ordinary Shares	5.1	48,800	48,800	38,000
Retained Earnings / (Loss)		13,972	(2,234)	3,408
Total equity		**62,772**	**46,566**	**41,408**
Assets				
Cash and cash equivalents	5.2	3,447	3,339	3,175
Other receivables and prepayments	6.7	4,113	679	1,712
Investments	3.2	142,294	130,593	112,884
Reinsurance contract assets	2.2	28,777	96,054	11,562
Total assets		**178,631**	**230,665**	**129,333**
Liabilities				
Advance from Parent company	6.4	3,770	3,383	2,795
Other payables	6.6	384	338	524
Provisions	6.5	19	27	1,225
Insurance contract liabilities	2.2	111,686	180,351	83,381
Total liabilities		**115,859**	**184,099**	**87,925**
Net assets		**62,772**	**46,566**	**41,408**

Approved for issue for and on behalf of the Board of Medical Insurance Society Limited on 19 July 2024.

.... Director

.... Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

The Company adopted NZ IFRS 17 Insurance Contracts from 1 April 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 6.1.

MEDICAL INSURANCE SOCIETY LIMITED

STATEMENT OF CASH FLOWS

for the year ended 31 March 2024

	Note	2024 $000	Restated 2023 $000
Operating activities			
Premium received		148,273	121,699
Sundry income		577	771
Reinsurance recoveries received		59,183	11,018
Reinsurance premiums paid		(39,144)	(26,762)
Payment of claims and other insurance service expenses		(144,875)	(90,865)
Payment of claims on behalf of EQC Toka Tū Ake		(9,637)	(4,347)
Reimbursement of claims paid on behalf of EQC Toka Tū Ake		6,406	3,576
Other operating payments		(15,892)	(7,729)
Interest received		4,625	2,159
Dividend received		922	1,199
Interest paid on advances from Parent company		(101)	(73)
Net movement in advance from Parent company	6.4	24	(1,479)
Net cash flows from operating activities	6.10	10,361	9,167
Investing activities			
Contributions to investment funds		(95,953)	(56,453)
Withdrawals from investment funds		85,700	36,650
Net cash flows for investing activities		(10,253)	(19,803)
Financing activities			
Issue of share capital to Parent company		-	10,800
Net cash flows from / (for) financing activities		-	10,800
Net movement in cash held		108	164
Cash and cash equivalents at 1 April		3,339	3,175
Cash and cash equivalents at 31 March	5.2	3,447	3,339

The accompanying notes form part of and should be read in conjunction with these financial statements.

The Company adopted NZ IFRS 17 Insurance Contracts from 1 April 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 6.1.

1. OVERVIEW

1.0 About Medical Insurance Society Limited

Registered office:
10 Waterloo Quay
Pipitea
Wellington

Medical Insurance Society Limited ("the Company" or "MIS") provides general insurance products to Members of MAS.

The parent and ultimate parent of MIS is Medical Assurance Society New Zealand Limited ("the Parent" or "MAS"), which owns 100% of the ordinary shares. The Parent together with its subsidiaries are referred to as the Group in this financial report.

The Company is incorporated and domiciled in New Zealand and is an FMC reporting entity under the Financial Markets Conduct Act 2013.

S&P Global Ratings Australia Pty Ltd has assigned the Company a financial strength rating of A (Strong).

1.1 Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared in accordance with Financial Markets Conduct Act 2013 and the Charities Act 2005.

The Company was registered as a charity under the Charities Act 2005 on the 1st of December 2019. The Company is a member of the MAS Charitable Group. The registration number is CC57176. The Company remains a profit-oriented entity for financial reporting purposes.

The financial statements have been prepared on a historical cost basis, except for certain assets and liabilities as outlined in the accounting policies.

Both the functional and presentation currency of the Company is New Zealand dollars ($). The financial statements are presented in New Zealand dollars and rounded to the nearest thousand dollars unless stated otherwise.

Certain comparative information in the statement of cash flows has been reclassified to conform with the current period’s presentation.

2. UNDERWRITING ACTIVITIES

This section provides information on the Company's underwriting activities.

2.1. Insurance revenue

	2024 $000	Restated 2023 $000
Insurance revenue	140,198	113,580

Insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract service on the basis of the passage of time.

All insurance revenue is from contracts measured under the Premium Allocation Approach (PAA), refer to Note 2.2. Insurance revenue comprises the premiums charged for providing insurance coverage, excluding taxes and levies collected on behalf of third parties.

2.2. Insurance and reinsurance contracts

	2024 $000	Restated 2023 $000
Insurance liability for remaining coverage	54,251	46,176
Insurance liability for incurred claims	57,434	134,174
Insurance contract liabilities	**111,686**	**180,351**
Reinsurance liability for remaining coverage	5,009	5,848
Recoveries of incurred claims	(33,786)	(101,902)
Reinsurance contract (assets) held	**(28,777)**	**(96,054)**
Net contract liabilities	**82,909**	**84,297**

Insurance contract liabilities represent the rights and obligations arising from insurance contracts issued and comprise the liability for remaining coverage, which is the obligation to provide future insurance services for those contracts issued, and the liability for incurred claims which is the obligation to pay claims reported but not yet paid. Reinsurance contract assets comprise the amounts recoverable from reinsurers on incurred claims and reinsurance contract liabilities comprise the liability for remaining coverage, which reflects reinsurance premiums payable for reinsurance held.

Insurance and reinsurance contracts are required to be measured using a general measurement model (GMM) unless the contracts meet certain criteria. Contracts can be measured using a simplified model, the premium allocation approach (PAA), where the coverage period is less than one year or if the liability for remaining coverage under the PAA approach does not materially differ from that determined under the GMM. The Company has determined that all of its insurance contracts are eligible to apply PAA as the coverage period is one year or less. The Company has determined that all of its reinsurance contracts are eligible to apply PAA as the coverage period is less than one year or the resulting measurement under PAA does not differ materially from the result under the GMM.

The liability for incurred claims and asset for recoveries of incurred claims are not adjusted for the time value of money and effect of financial risk, except where cash flows are expected to be paid or received more than one year from the date the relevant claim was incurred. Refer to note 2.4 for further information.

Insurance and reinsurance contracts are required to be split into portfolios of contracts with similar risks that are managed together. Portfolios of insurance contracts that are assets are required to be presented separately from those that are liabilities. All insurance contract portfolios are liabilities and all reinsurance contract portfolios are assets.

The liability for incurred claims (and reinsurance amounts recoverable on incurred claims) comprise the estimates of the present value of future cash flows (PVFCF) and risk adjustment for non-financial risk.

Movement in insurance contract liabilities

	Liability for remaining coverage	Liability for incurred claims		Total
		Estimates of the PVFCF	Risk adjustment	
	$000	$000	$000	$000
Insurance contract liabilities at 1 April 2023	**46,176**	**106,520**	**27,654**	**180,351**
Insurance revenue	(140,198)	-	-	(140,198)
Incurred claims and other expenses	-	81,020	3,100	84,120
Changes relating to past service		8,526	(21,322)	(12,795)
Insurance service expense	-	89,546	(18,221)	71,325
Insurance service result	**(140,198)**	**89,546**	**(18,221)**	**(68,873)**
Insurance finance expense	-	41	-	41
Statement of comprehensive income	**(140,198)**	**89,587**	**(18,221)**	**(68,832)**
Cashflows:				
Premiums received	148,273	-	-	148,273
Claims and expenses paid	-	(148,106)	-	(148,106)
Total cash flows	148,273	(148,106)	-	167
Insurance contract liabilities at 31 March 2024	**54,251**	**48,001**	**9,433**	**111,686**

	Liability for remaining coverage	Liability for incurred claims		Total
		Liability for incurred claims	Risk adjustment	
	$000	$000	$000	$000
Insurance contract liabilities at 1 April 2022	**38,057**	**36,446**	**8,877**	**83,380**
Insurance revenue	(113,580)	-	-	(113,580)
Incurred claims and other expenses	-	154,923	20,238	175,161
Changes relating to past service	-	6,820	(1,461)	5,359
Insurance service expense	-	161,743	18,777	180,520
Insurance service result	**(113,580)**	**161,743**	**18,777**	**66,940**
Insurance finance income	-	(33)	-	(33)
Statement of comprehensive income	**(113,580)**	**161,710**	**18,777**	**66,907**
Cashflows:				
Premiums received	121,699	-	-	121,699
Claims and expenses paid	-	(91,636)	-	(91,636)
Total cash flows	121,699	(91,636)	-	30,063
Insurance contract liabilities at 31 March 2023	**46,176**	**106,520**	**27,654**	**180,351**

The liability for remaining coverage under the PAA is measured as premiums received less amounts recognised in revenue for insurance services provided. The liability for remaining coverage is not discounted as the premium due date and the related period of service are within one year.

The Company has elected to expense all insurance acquisition cash flows (IACF) as incurred. The Company has no onerous contracts and therefore does not have a loss component disclosure. Refunds of premiums have been included in the cashflow line for premiums received.

The liability for incurred claims is measured as the sum of the present value of future cash flows and a risk adjustment for non-financial risk (the "fulfilment cash flows") relating to incurred claims, including incurred but not reported (IBNR) claims. The liability includes the Company’s obligation to pay other incurred insurance expenses.

Movement in the net reinsurance contract asset / (liabilities)		Amounts recoverable for incurred claims		
	Liability for remaining coverage	**Estimates of the PVFCF**	**Risk adjustment**	**Total**
Reinsurance contract assets / (liabilities)	**$000**	**$000**	**$000**	**$000**
At 1 April 2023	**(5,848)**	**82,125**	**19,777**	**96,054**
Allocation of reinsurance premiums	(38,305)	-	-	(38,305)
Recoveries of incurred claims and expenses	-	7,494	-	7,494
Changes in non-performance risk of reinsurers	-	(67)	-	(67)
Changes to amounts recoverable for incurred claims	-	338	(16,698)	(16,360)
Reinsurance income / (expense)	-	7,765	(16,698)	(8,933)
Reinsurance finance income / (expenses)	-	-	-	-
Statement of comprehensive income / (Loss)	**(38,305)**	**7,765**	**(16,698)**	**(47,238)**
Cashflows:				
Premiums paid	39,144	-	-	39,144
Recoveries received	-	(59,183)	-	(59,183)
Total cash flows	39,144	(59,183)	-	(20,039)
At 31 March 2024	**(5,009)**	**30,707**	**3,079**	**28,777**

		Amounts recoverable for incurred claims		
	Liability for remaining coverage	**Estimates of the PVFCF**	**Risk adjustment**	**Total**
Reinsurance contract assets / (liabilities)	**$000**	**$000**	**$000**	**$000**
At 1 April 2022	**(2,223)**	**12,214**	**1,572**	**11,563**
Allocation of reinsurance premiums	(30,387)	-	-	(30,387)
Recoveries of incurred claims and expenses	-	78,296	18,861	97,158
Changes in non-performance risk of reinsurers	-	86	-	86
Changes to amounts recoverable for incurred claims	-	2,547	(656)	1,890
Reinsurance income / (expense)	-	80,929	18,205	99,134
Reinsurance finance income / (expenses)	-	-	-	-
Statement of comprehensive income / (Loss)	**(30,387)**	**80,929**	**18,205**	**68,747**
Cashflows:				
Premiums paid	26,762	-	-	26,762
Recoveries received	-	(11,018)	-	(11,018)
Total cash flows	26,762	(11,018)	-	15,744
At 31 March 2023	**(5,848)**	**82,125**	**19,777**	**96,054**

The reinsurance asset / liability for remaining coverage under the PAA is measured on the same basis as the insurance contracts issued, but has been adapted to reflect the specific features of reinsurance held (reinsurance premiums paid less amounts recognised in expense for reinsurance services provided).

The asset for recoveries of incurred claims from reinsurers is measured in a manner consistent with underlying insurance contract liabilities and in accordance with the reinsurance contracts.

2.3. Material accounting judgements, estimates and assumptions

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. Estimates and assumptions are reviewed on an ongoing basis. Where revisions are made to estimates and assumptions, any financial impact is recognised in the period in which the estimate is revised. The material accounting judgements, estimates and assumptions applied are noted below.

Level of aggregation
The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios of insurance contracts are divided into three groups based on whether there is 1) no significant possibility of becoming onerous, 2) onerous contracts at initial recognition and 3) remaining contracts. Portfolios of reinsurance contracts are divided into three groups based on whether there is 1) no significant possibility of a net gain arising subsequent to initial recognition, 2) a net gain on initial recognition and 3) remaining contracts. Contracts issued more than one year apart cannot be included in the same group. The portfolios are detailed in the following table.

Portfolio	Measurement model
Domestic property insurance contracts	PAA
Commercial property insurance contracts	PAA
Domestic motor insurance contracts	PAA
Loss occurring reinsurance contracts held	PAA
Risk attaching reinsurance contracts held	PAA
Property catastrophe treaty reinsurance contracts held	PAA

Liability for incurred claims
The liability for incurred claims is the obligation to pay claims reported but not yet paid. This assessment includes claims incurred but not reported and other insurance service expenses such as claim handling costs There is significant uncertainty in relation to the claims arising from the January - February 2023 North Island floods, Cyclone Gabrielle and Canterbury earthquakes and significant judgement is required in regards to elements such as increases in building claim costs, litigation, reopening of claims, apportionment between earthquake events, claim handling expenses. Due to these uncertainties a higher risk adjustment is carried for these flood, cyclone and earthquake claims.

Risk adjustment for non-financial risk
The risk adjustment for non-financial risk included in the liability for incurred claims reflects the compensation required for bearing uncertainty about the amount and timing of cash flows of groups of insurance contracts. The risk adjustment for non-financial risk included in the asset for recoveries of incurred claims represents the amount of risk being transferred by the Company to its reinsurers.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level of an estimated probability distribution of the future cash flows.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result. A risk adjustment is estimated for the measurement of the liability for incurred claims and the asset for recoveries of incurred claims as all contracts are measured under the PAA and are not onerous.

Assumptions adopted in calculation of the liability for incurred claims and asset for recoveries of incurred claims

	2024	2023
Risk adjustment - flood and cyclone claims	25.00%	25.00%
Risk adjustment - earthquake claims	62.00%	49.00%
Risk adjustment - other claims	12.70%	13.00%

Asset for recoveries of incurred claims
As is the case for claims, reinsurance of incurred claims from reinsurers must be estimated at reporting date. The recoverability of these assets is assessed on a periodic basis to ensure that as best can be determined, the balance is reflective of the amounts which will ultimately be received. This takes into consideration factors such as the risk of non-performance of reinsurers, which includes both counterparty credit risk and dispute risk.

Onerous contracts
A group of insurance contracts becomes onerous if its estimated cash outflows exceed its estimated cash inflows. Under the PAA, insurance contracts are assumed not to be onerous at initial recognition, unless facts and circumstances indicate otherwise. The Company has identified facts and circumstances that would trigger an assessment to consider whether a group of insurance contracts is onerous, including management reporting. The Company has assessed that it has no onerous insurance contracts during the year ended 31 March 2024 (2023: none).

2.4. Discount rates used to estimate the present value of future cash flows

The Company is required to discount the estimates of future cash flows to reflect the time value of money and financial risks related to those cash flows, where the cash flows are expected to be paid or received more than one year from the date the claims are incurred. The Company has discounted its liability for incurred claims where the claim settlement duration is expected to exceed twelve months. The majority of the Company's claims are settled within twelve months. No recoveries of incurred claims are expected to exceed twelve months (2023: none).

The Company has elected to determine the discount rate by using the bottom-up approach. This rate is determined by reference to risk-free rates with an illiquidity premium adjustment of 10.00% (2023: 10.00%). The discount rate applied is 5.06% at 31 March 2024 (2023: 5.08%).

The Company has elected not to discount the asset/liability for remaining coverage as the time between providing each part of the services and the related premium due date is no more than one year.

2.5. Maturity profile for insurance and reinsurance contract liabilities

The following table summarises the maturity profile of portfolios of insurance contracts issued that are liabilities based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented. The liability for remaining coverage relating to insurance contracts is excluded from the table below.

The majority of the Company's claims are settled within twelve months. Claims expected to take more than twelve months to settle are Canterbury earthquake claims.

Insurance contract liabilities	2024 $000	2023 $000
Up to 1 year	39,571	97,075
1-2 years	3,127	2,169
2-3 years	2,714	2,151
3-4 years	1,894	1,979
4-5 years	695	1,702
>5 years	-	1,444
Total	**48,001**	**106,520**

There are no amounts payable on demand at 31 March 2024 (2023: none). A description of how the Company manages its liquidity risk is included in note 4.6. The table below summarises the expected utilisation or settlement of insurance liabilities. All reinsurance assets are expected to be settled within twelve months.

Insurance contract liabilities	2024 $000	2023 $000
No more than 12 months	103,256	170,906
More than 12 months	8,430	9,445
Total	**111,686**	**180,351**

2.6. Impact of changes in key variables

The liability for incurred claims is sensitive to the key assumptions in the table below to an extent that changes may impact profit or loss materially. The sensitivity analysis below shows how profit or loss and equity may be impacted by reasonably possible movements in key assumptions, with all other assumptions held constant. The changes are shown gross and net of reinsurance held.

Sensitivity analysis - insurance contracts		**Impact on profit and equity Gross of reinsurance**	
		2024	**2023**
		$000	**$000**
Risk adjustment - flood and cyclone claims	Increase 5%	(501)	(3,763)
	Decrease 5%	501	3,763
Risk adjustment - earthquake claims	Increase 5%	(453)	(383)
	Decrease 5%	453	383
Risk adjustment - other claims	Increase 5%	(1,336)	(1,531)
	Decrease 5%	1,336	1,531
Interest rate	Increase 1%	102	157
	Decrease 1%	(102)	(157)

		Impact on profit and equity Net of reinsurance	
		2024	**2023**
		$000	**$000**
Risk adjustment - flood and cyclone claims	Increase 5%	-	-
	Decrease 5%	-	-
Risk adjustment - earthquake claims	Increase 5%	(426)	(360)
	Decrease 5%	426	360
Risk adjustment - other claims	Increase 5%	(1,336)	(1,531)
	Decrease 5%	1,336	1,531
Interest rate	Increase 1%	102	157
	Decrease 1%	(102)	(157)

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 market interest rates (interest rate risk); and market prices (price risk).

Interest rate risk

The Company is exposed to interest rate movements through its liability for incurred claims, as the liability is discounted to present value by reference to risk-free rates (see note 2.4). The Company is also exposed to interest rate movements through its advance from the Parent Company and fixed interest investments. The impact of changes in interest rates on the liability for incurred claims will be partially offset by the impact on the fixed interest investments.

Price risk

The Company is subject to price risk arising from changes in the market values of its domestic fixed interest and unit trust investments. The Company's insurance contracts are not exposed to price risk.

The following table shows the impact of movement in rates and prices as at balance date:

Sensitivity analysis - domestic and international fixed interest investments	**Impact on profit and equity**	
	2024	**2023**
	$000	**$000**
Interest rates increase by 1%	(2,013)	(498)
Interest rates decrease by 1%	2,013	498
Unit prices increase by 10%	1,286	2,375
Unit prices decrease by 10%	(1,286)	(2,375)

2.7. Claims development

The table illustrates how estimates of cumulative claims have developed over time on a gross of reinsurance basis. The table shows how the estimates of total claims for each accident year have developed over time, together with cumulative payments to date.

Disclosure is provided for claims development for the past ten accident years. There is significant uncertainty in relation to the claims arising from the January - February 2023 North Island floods, Cyclone Gabrielle and Canterbury earthquakes. With the exception of Canterbury earthquake claims (accident years 2011 and 2012) there are no material claims for which there is uncertainty about the amount and timing of claim payment that pre-dates this ten year period.

	Prior $000	**2015**	**2016**	**2017 $000**	**2018 $000**	**2019 $000**	**2020 $000**	**2021 $000**	**2022 $000**	**2023 $000**	**2024 $000**	**Total $000**
At end of incident year		28,650	33,118	48,602	40,393	39,127	43,289	51,296	55,294	146,087	71,294	
One year later		29,052	34,324	52,449	39,424	40,389	44,417	56,941	56,584	148,621		
Two years later		29,201	34,514	53,473	39,870	40,552	44,633	58,738	54,867	-		
Three years later		29,131	34,426	53,915	40,006	40,646	44,681	58,978	-	-		
Four years later		29,151	34,518	53,874	40,129	40,661	44,890	-	-	-		
Five years later		29,174	34,543	53,893	40,140	40,671	-	-	-	-		
Six years later		29,162	34,578	54,074	40,120	-	-	-	-	-		
Seven years later		29,095	34,578	54,148	-	-	-	-	-	-		
Eight years later		29,115	34,577	-	-	-	-	-	-	-		
Nine years later		29,100										
Current estimated claim cost		29,100	34,577	54,148	40,120	40,671	44,890	58,978	54,867	148,621	71,294	
Cumulative payments		(29,100)	(34,573)	(54,080)	(40,119)	(40,663)	(44,709)	(58,873)	(54,714)	(137,662)	(45,627)	
Gross undiscounted liabilities	10,957	-	4	69	1	7	181	104	153	10,960	25,667	48,103
Effect of discounting												(102)
Risk adjustment												9,433
Total liabilities for incurred claims												57,434

3. INVESTMENT ACTIVITIES AND OTHER INCOME

This section provides information on the Company's investment activities.
Premiums collected from policyholders and funds provided by its shareholders are invested to generate a return that contributes to the Company's profitability. All investment assets are related to the Company's insurance business.

The Company has a low risk tolerance. The majority of investments are held in cash, term deposits and fixed interest investment vehicles. Investment decisions consider; liquidity, credit quality, diversification and returns.

3.1 Investment income / (loss)

	2024 $000	2023 $000
Domestic and international fixed interest	3,031	(961)
Investment income	**3,031**	**(961)**
Realised investment income	1,583	1,133
Unrealised investment gain / (loss)	1,448	(2,094)
Investment income	**3,031**	**(961)**

Domestic and international fixed interest investments are mandatorily required to be measured as financial assets at fair value through profit or loss under NZ IFRS 9 Financial Instruments. Any movements in fair value, interest and dividend income, and fund distributions are recognised in the Statement of Comprehensive Income as Investment Income or Loss.

3.2 Investment assets

	2024 $000	2023 $000
On call and term deposits	86,285	81,065
Domestic fixed interest	43,148	25,776
International fixed interest (unit trust)	12,861	23,752
Total investments	**142,294**	**130,593**

Funds are invested in both unitised or pooled vehicles and direct holdings. Investment fund values for unitised or pooled vehicles are supplied by the relevant fund manager. Fixed interest investments held directly by the Company are valued at fair value each reporting date based on the current bid price where one is available. In the absence of a bid price, valuation is based on recent arm's length transactions.

On call and term deposits are measured as financial assets at amortised cost. They comprise cash on call and short term deposits, balances with other financial institutions with maturities of less than three months and other types of short term financial assets.

3.3 Fair value hierarchy

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
2024				
Domestic fixed interest	-	43,148	-	43,148
International fixed interest (unit trust)	-	12,861	-	12,861
Total investments at fair value through profit or loss	**-**	**142,294**	**-**	**142,294**
2023				
Domestic fixed interest	-	25,776	-	25,776
International fixed interest (unit trust)	-	23,752	-	23,752
Total investments at fair value through profit or loss	**-**	**130,593**	**-**	**130,593**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values are based on relevant information available as at balance date. While judgement is used in obtaining the fair value of financial instruments, there are inherent weaknesses in any estimation technique.

Many of the estimates involve uncertainties and matters of significant judgement, and changes in underlying assumptions could significantly affect these estimates. Furthermore, market prices or rates of discount are not available for many of the financial instruments valued and surrogates have been used which may not reflect the price that would apply in an actual sale. The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

Domestic fixed interest
The fair value for fixed interest investments is determined by reference to quoted prices in active markets for similar assets or liabilities. Where not available or the market is considered to be lacking sufficient depth to be active, fair value is determined by reference to other significant inputs that are based on observable market data, for example interest rate yield curves and the maturity profile. The average maturity is 3.4 years (2023: 4.0 years).

International fixed interest (unit trust)
The fair value for investments in managed funds is determined based on unit prices provided by the relevant fund manager.

Fair value hierarchy
A level 1 financial asset or liability comprises those assets and liabilities that are valued by reference to published quotes in an active market and the price reflects actual and regularly occurring market transactions on an arm's length basis.

A level 2 financial asset or liability is measured using industry standard valuation techniques and are based on market observable inputs but where the prices have not been determined in an active market.

A level 3 financial asset or liability value is determined in part, or in whole, using valuation techniques based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data.

There have been no transfers between the levels during year (2023: no transfers).

4. Risk management

Effective risk management is key to achieving the Company's strategic goals. The Board approves the Risk Appetite Statement which sets the risk tolerances the Company is willing to take. Other key documents within the risk management framework include:
- a risk management programme;
- business continuity and disaster recovery plans;
- a capital management plan;
- reinsurance management policy; and
- a Statement of Investment Policy and Objectives (SIPO) and Treasury Policy.

The Company leverages the risk management capabilities of its Parent. The Parent operates the Three Lines model. Key risk categories used to classify risk are outlined below.

4.1 Strategic risk

Strategic risk is the risk arising from business decisions and/or external factors that impact the Company's ability to execute its strategy.

Performance is monitored against Board approved plans and targets. These plans include monitoring financial performance, staff engagement and reputational risks.

The Audit and Risk Committee formally review risks (both current and emerging) on a six monthly basis. This review includes the potential for negative impacts on the Company's strategic priorities from environmental, social and governance (ESG) risks, and climate risks and opportunities.

4.2 Capital risk

The Company is a licenced insurer under the Insurance (Prudential Supervision) Act 2010 and is required to maintain a solvency margin of at least $0. That is, actual solvency capital as determined under the solvency standard should be at or above the minimum solvency capital level. The solvency margin has been determined in accordance with the requirements of the solvency standards issued under the Insurance (Prudential Supervision) Act 2010.

The Company has a capital management plan and reporting process in place to assist in maintaining continuous and full compliance with the solvency standard.

The Company's solvency position as per solvency standards is disclosed below. The position as at 31 March 2023 is per the RBNZ's solvency standard for non-life insurers that applied at that time. The reported amounts for 2024 reflect the current RBNZ solvency standard - Interim Solvency Standard 2023 and incorporates the amendments issued on 6 June 2023. Further amendments are planned to the solvency standard which is likely to impact reported solvency.

	2024 **$000**	**2023** **$000**
Solvency capital (2023: actual solvency capital)	62,772	47,792
Adjusted prescribed capital requirement (2023: minimum solvency capital)	30,598	32,288
Adjusted solvency margin (2023: solvency margin)	32,174	15,504
Adjusted solvency ratio (2023: solvency ratio)	2.05	1.48

4.3 Insurance risk

Insurance risk is the risk that either inadequate or inappropriate product design, pricing, underwriting, reserving, claims management or reinsurance management will expose the Company to financial loss and, in the worst case a consequent inability to meet its liabilities when they fall due.

There are a number of key policies in place which mitigate insurance risk, including:
- the recruitment, retention and ongoing training of suitably qualified personnel;
- delegated authorities for the underwriting or risks, claims acceptance and settlement;
- the use of external actuarial expertise to assist in determining premium levels and monitoring claims patterns;
- the use of reinsurance to limit the Company's exposure to large single claims and accumulations of claims that arise from a singular event;
- the monitoring of a reinsurer's credit risk rating to control exposure to reinsurance counterparty default;
- the reduction in the variability in loss experience through diversification over classes of insurance business; and
- the modelling and monitoring of concentrations of risk which are particularly relevant in the case of natural disasters and catastrophes and accordingly must be recognised in the development of the reinsurance programme.

The concentration of insurance risk is mitigated through the use of reinsurance and the diversification of risk across a number of general insurance products. The Company underwrites seven different classes of business (house, contents, motor, business risk, goods in transit, contract works and boat).

The Company's insurance operations are protected from the impact of large losses and catastrophic events, by way of a comprehensive reinsurance programme arranged with some of the world's strongest reinsurance companies and syndicates. The programme is developed once external professional advice, involving comprehensive modelling, is obtained to establish potential exposures and to assess how much any claim or series of claims the Company can retain for its own account. The Company's reinsurance purchase considers the Reserve Bank of New Zealand's solvency requirements for catastrophe risk.

The concentration of reinsurance risk is mitigated through policies which contain requirements to limit the level of exposure to individual reinsurers, and a requirement that all reinsurers hold a minimum S&P (or equivalent) rating of A- at the time of placement. The following table discloses the number of reinsurance counterparties the Company has an exposure to in excess of 10% of total reinsurance recoveries of incurred claims.

	2024	**2023**
10% - 20% of reinsurance recoveries	2	-

4.4 Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitment in full and on time, or from losses arising from the change in value of a financial instrument as a result of changes in credit risk on that instrument. Credit risk principally arises from the Company's fixed interest and cash investments, policyholder premiums and reinsurance exposures. The maximum credit risk exposures are the carrying amounts.

The Company manages credit risk in its insurance operations by:
- the use of standard credit control techniques which ensure that premium payments are made within a reasonable timeframe, or cover and hence exposure to claim is cancelled;
- the placement of reinsurance cover in accordance with its reinsurance policies. The policies contain requirements to limit the level of exposure to an individual reinsurer and requires reinsurers to have a minimum S&P credit rating (or equivalent) of A- at the time of placement; and
- ongoing monitoring of a reinsurer's credit risk rating.

Concentration of credit risk arises when the Company has a large exposure to an individual counterparty or enters into a number of contracts or financial instruments with entities that are engaged in similar business activities or exposed to similar economic factors. Investment concentration risk is managed through credit rating limits and counterparty limits.

The following table provides information on the credit risk exposure for financial assets with external credit ratings and highlights the credit quality of the Company’s exposures. Investment grade financial assets are classified within the range of AAA to BBB, with AAA being the highest possible rating. The 'Below BBB and not rated' column discloses those assets rated below BBB and not rated by external ratings agencies and principally comprises fixed interest investments with local government authorities and infrastructure bonds.

The credit rating analysis is only shown for fixed interest investments held directly by the Company. Investments in unit trusts are not included in the table below as the funds are invested in unitised or pooled vehicles. The underlying credit quality of the funds is mandated by the SIPO.

2024	AAA	AA	A	BBB	Below BBB and not rated	Carrying Value $000
Cash and Cash Equivalents	-	100%	-	-	-	3,447
On Call and Term Deposits	-	51%	49%	-	-	86,285
Domestic Fixed Interest	51%	33%	-	10%	7%	43,149
Reinsurance recoveries of incurred claims	-	32%	68%	0%	0%	33,786
Receivables from EQC Toka Tū Ake	-	-	-	-	100%	4,029
2023						
Cash and Cash Equivalents	-	100%	-	-	-	3,339
On Call and Term Deposits	-	61%	39%	-	-	81,065
Domestic Fixed Interest	-	54%	-	35%	11%	25,776
Reinsurance recoveries of incurred claims	-	27%	73%	0%	0%	101,902
Receivables from EQC Toka Tū Ake	-	-	-	-	100%	597

4.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its liabilities, principally claims payments, as and when they fall due. Liquidity risk is reviewed on an ongoing basis. There are a number of key policies in place which mitigate liquidity risk, including:
- the immediate availability of significant levels of funding by way of access to intercompany advances;
- maintaining sufficient liquid assets;
- conservative reinsurance retention levels; and
- the ability to access investment funds via the fund managers at short notice.

The following tables summarises the Company's financial assets and liabilities at balance date into relevant maturity groupings based on the remaining period to the contractual maturity date (if applicable). Investments in unit trusts and cash on call do not have a maturity date.

Financial assets	No maturity date $000	0-12 months $000	1 - 5 years $000	Over 5 years $000	Total $000
31/03/2024					
Cash and cash equivalents	3,447	-	-	-	3,447
Investments	29,359	69,563	19,483	23,889	142,294
Receivables from EQC Toka Tū Ake	-	4,029	-	-	4,029
31/03/2023					
Cash and cash equivalents	3,339	-	-	-	3,339
Investments	41,549	69,210	9,744	10,090	130,593
Receivables from EQC Toka Tū Ake	-	597	-	-	597

Financial liabilities	No maturity date $000	0-12 months $000	1 - 5 years $000	Over 5 years $000	Total $000
31/03/2024					
Advance from Parent Company	-	3,770	-	-	3,770
Other payables	-	337	-	-	337
31/03/2023					
Advance from Parent Company	-	3,383	-	-	3,383
Other payables	-	220	-	-	220

Financial instruments - initial recognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial assets and liabilities are recognised initially at fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs.

Financial instruments - subsequent measurement

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. Cash and cash equivalents are classified as financial assets at amortised cost using the effective interest rate (EIR) method. The Company measures financial assets at amortised cost if:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments are classified as fair value through profit or loss with the exception of term deposits which are valued at amortised cost. Refer to section 3 and note 5.2 for further information on investments and cash and cash equivalents.

All financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

4.6 Operating risk

Operating risk is the risk of financial loss resulting from either external events, inadequate or failed systems or processes, or human error. Operational failures may lead to poor outcomes for Members, health and safety incidents, regulatory or legal implications, financial loss or reputational impacts. These risks are minimised whenever it is commercially sensible to do so.

There are a number of key policies in place which mitigate operating risk, including:

- management and staff are responsible for identifying, assessing and managing operational risks in accordance with their roles and responsibilities;
- Internal Assurance and Risk functions are charged with assisting staff in identifying current and emerging risks and ensuring the sufficiency of and ongoing presence of suitable mitigants;
- regular external review and testing of the Group's information security including for cyber risks;
- identifying critical outsourced providers and having appropriate plans in place in the event of supplier failure; and
- regular monitoring and reporting on risks, financial and operational performance to Senior Management and the Board.

5. CAPITAL STRUCTURE

When managing capital, management's objective is to ensure the Company continues as a going concern, adheres to regulatory requirements and maintains optimal returns to shareholders and benefits for other stakeholders, including the MAS Foundation. The Foundation receives distributions from the Group and funds health initiatives in line with the Group's charitable purpose. Directors may change the amount of dividends to be paid to shareholders (if any), return capital to shareholders, issue new shares or sell assets to reduce debt.

5.1 **Contributed Equity**	**2024**	**2023**
Ordinary Shares, issued and fully paid at beginning of the year	48,800,000	38,000,000
Issue of Share Capital	-	10,800,000
Ordinary Shares, issued and fully paid at end of the year	48,800,000	48,800,000
Ordinary Share Capital	$ 48,800,000	$ 48,800,000

During the year the Board did not approve any dividend payments (2023: none). No capital shares were issued to the Parent (2023: $10.8 million). All shares carry the same voting rights, and rights to share in any profit upon winding up.

5.2 **Cash and cash equivalents**	**2024 $000**	**2023 $000**
On call deposits	3,447	3,339

All funds are held with registered banks and are available on call. The carrying value is considered to approximate fair value as cash and cash equivalents are short term in nature or are receivable on demand.

6. OTHER

This section includes information that is not disclosed elsewhere.

6.1 Changes in accounting policies and disclosures

NZ IFRS 17 Insurance Contracts ("NZ IFRS 17")
The Company has applied NZ IFRS 17 from 1 April 2023. NZ IFRS 17 replaces NZ IFRS 4 Insurance Contracts and establishes new accounting requirements for insurance contracts. The standard requires a retrospective application and a restatement of comparative information.

The standard has been applied using a fully retrospective approach, which resulted in a decrease to net assets at 1 April 2022 of $1.1 million. This has been recognised as an adjustment to opening equity. The principal driver of the reduction in equity is the election to expense insurance acquisition costs when incurred.

Details of the key policy decisions of adopting this standard are outlined in Note 2: Underwriting Activities.

Other standards and amendments adopted
Apart from NZ IFRS 17, several amendments and interpretations apply for the first time in the period ended 31 March 2024. These do not have a material impact on the financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Company does not expect any standard, interpretation or amendment that has been issued but is not yet effective to materially impact the financial statements.

6.2 Subsequent events

No material events have occurred after the reporting period.

6.3 Auditor remuneration

	2024 $000	2023 $000
Fees to auditors - for the audit of financial statements	69	95
Fees to auditors - for other assurance and related services	23	18

The auditor of the Company is Ernst & Young (EY). In 2023 fees for the audit of financial statements included fees in relation to the NZ IFRS 17 opening balance sheet assurance. Other assurance and related services relate to reviews of regulatory reporting (2023: no change) and are required by legislation to be provided by the auditor. The Board has considered the non-audit work carried out by the auditor and is satisfied the work did not compromise auditor objectivity and independence.

6.4 Related party transactions

- Medical Insurance Society Limited is a wholly owned subsidiary of Medical Assurance Society New Zealand Limited. Related parties comprise companies within the Medical Assurance Society New Zealand Limited Group ("the Group").

- During the year, related party transactions with the Parent company took the form of advances / repayment of advance, administration fees and interest paid / received on advances. Interest on advances is charged at the 90 day bank bill rate plus 1.0% (2023: 6.2%). Auditor remuneration is paid by the Parent company.

- The advance from the Parent of $3.7 million (2023: $3.4 million) is unsecured and repayable on demand. None of the amounts owing between the Company and the Parent have been written off or forgiven during the year (2023: nil).

- No staff are directly employed by the Company. All staff, including those that are key management personnel, are employees of the Parent company, and the amounts detailed below have been paid by the Parent company and relate to services provided to the Group. Key management personnel is defined as Directors and members of the Executive Management Team.

- All transactions with Members, Directors of the Company and key management personnel (including Directors) of the Parent are at market rates. There are no loans to Directors and key management personnel.

	2024 $000	2023 $000
Salaries and other short-term employee benefits	4,054	3,610
Termination benefits	975	405
MAS Directors fees	763	776
Total compensation paid to key management personnel of the Group	**5,792**	**4,791**

- The Parent company has previously provided a guarantee of $7.5 million (2023: $7.5 million) to MIS to allow for additional funds if required. During the year ended 31 March 2024 the guarantee was revoked. $1.4 million of the guarantee had been utilised (2023: $1.4 million).

The administration fee paid to the parent company is recognised within insurance service expense and other expenses. Other expense comprises the administration fee paid to the Parent company and administration expenses (2023: no change).

	2024 $000	2023 $000
Material transactions during the period with related parties:		
Interest Paid on Advances from Parent Company	(101)	(73)
Administration Fees paid to Parent Company	(22,478)	(19,377)
Shares Issued to Parent Company	-	10,800
Reconciliation of outstanding balances with related parties at period end:		
Opening: Advance from Parent Company at 1 April	(3,383)	(2,795)
Net Advances to / (from) Parent Company during the period	(24)	1,479
Advance from Parent provision	(363)	(2,067)
Closing: Advance from Parent Company at 31 March	(3,770)	(3,383)

6.5 Provisions

	2024 $000	2023 $000
As at 1 April	27	1,225
Remediation Addition	-	126
Remediation Decrease	(2)	-
Remediation Payments	(6)	(1,324)
As at 31 March	**19**	**27**

The provision reflects management's best estimate of the amount to meet remediation obligations to Members for issues that have been identified. The provision covers refunds, inconvenience payments and the cost of administering the remediation programme. It is expected the remediation provision will be utilised within twelve months of balance date.

6.6 Other payables

	2024 $000	2023 $000
Other payables	338	220
GST payable	46	118
Total other payables	**384**	**338**

All payables are due within twelve months of balance date.

6.7 Other receivables and prepayments

	2024 $000	2023 $000
Prepayments	84	82
EQC Toka Tū Ake agency fee	26	131
Claims receivable from EQC Toka Tū Ake	4,003	466
Total other receivables and prepayments	**4,113**	**679**

6.8 Contingent liabilities

The Company is subject to several legal disputes at 31 March 2024 (2023: no change). The disputes are of a type common to any entity engaged in similar activities. Where such disputes lead to formal proceedings they will be defended by the Company. Provisions are recorded for disputes when it is probable that an outflow of resources will be required to settle any obligations.

6.9 Income and other taxes

Income Tax
The Company became a registered charity on 1 December 2019. As such, its activities from that date are no longer subject to income tax.

Other Taxes
Revenues and expenses are recognised net of goods and services tax (GST). GST related to insurance contracts and levies collected on behalf of Fire and Emergency New Zealand and EQC Toka Tū Ake are included as part of insurance contract liabilities. GST unrelated to insurance contracts is included as part of other payables.

6.10 Reconciliation of cash flows

	2024 $000	2023 $000
Net profit / (loss)	16,206	(5,642)
Add / (deduct) non-cash items:		
Unrealised investment (gain) / loss	(1,448)	2,094
Advance from Parent provision	363	2,067
Balance sheet movements:		
Other receivables and prepayments	(3,434)	1,033
Other payables and provisions	38	(1,384)
Insurance contract liabilities	(68,665)	96,969
Reinsurance contract assets	67,277	(84,491)
Advance from Parent company	24	(1,479)
Net Cash Flows for Operating Activities	**10,361**	**9,167**

Independent Auditor's Report

To the Shareholder of Medical Insurance Society Limited

Opinion

We have audited the financial statements of Medical Insurance Society Limited ('the Company') on pages 1 to 21, which comprise the statement of financial position of the Company as at 31 March 2024, and the statement of comprehensive income/ (loss), statement of changes in equity and statement of cash flows for the year then ended of the Company, and the notes to the financial statements including material accounting policy information.

In our opinion, the financial statements on pages 1 to 21 present fairly, in all material respects, the financial position of the Company as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

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

We provide assurance services in respect of the Company's solvency return. Partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. We have no other relationship with, or interest in, the Company.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context

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of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of Liability for Incurred Claims

Why significant	How our audit addressed the key audit matter

As at 31 March 2024, the Company recorded a Liability for Incurred Claims of $57.4m as disclosed in Note 2.2.
The Company applied NZ IFRS 17 *Insurance Contracts* ("NZ IFRS 17") for the first time from 1 April 2023. This standard brought changes to the accounting for the Company's insurance contracts issued and reinsurance contracts held. On transition net assets as at 1 April 2022 decreased by $1.05m. Details on the transition approach are disclosed within the changes in accounting policies and disclosures (Note 6.1).
The Company's Independent Appointed Actuary calculated the liability by considering relevant models, inputs and assumptions applicable to Company taking account of the revised requirements of NZ IFRS 17.
We considered the valuation of the Liability for Incurred Claims to be a key audit matter because of the:
▶ financial significance of the Liability for Incurred Claims
▶ degree of judgment in developing assumptions and the complexity of valuation models. The key inputs and judgments involved in estimating the Liability for Incurred Claims include:
    ▶ Interest rates
    ▶ risk adjustment
▶ the change in disclosures relating to the introduction and application of NZ IFRS 17.
	Our audit procedures over the valuation of outstanding claims liabilities included:
	▶ Understanding the processes for writing policies, settling claims, processing costs and those related to the relevant IT systems;
	▶ On a sample basis validating the costs recorded for claims in the year;
	▶ Comparing the claims data used by the appointed actuary to the Company's claims system on a sample basis;
	▶ Utilising our actuarial specialists to review the Liability for Incurred Claims valuation report prepared by the Appointed Actuary and to evaluate the appropriateness of the methodologies and assumptions used in the valuation against the requirements of NZ IFRS 17;
	▶ Evaluating the objectivity, capabilities, and competence of the Appointed Actuary;
	▶ Analysing the Company's accounting policies to evaluate their compliance with the requirements of NZ IFRS 17; and
	▶ Assessing the adequacy of the Liability for Incurred Claims disclosures, including new disclosures required by NZ IFRS 17, within the Notes to the Financial Statements.

Information other than the financial statements and auditor’s report

The Directors of the Company are responsible for the Annual Report, which includes information other than the financial statements and auditor’s report.

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

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

If, based upon 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.

Directors’ responsibilities for the financial statements

The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

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

A further description of the auditor’s responsibilities for the audit of the financial statements is located at the External Reporting Board’s website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/. This description forms part of our auditor's report.

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

Ernst + Young

Chartered Accountants
Wellington
23 July 2024

Davies Financial and Actuarial Limited

19th July 2024

To: The Directors
Medical Insurance Society Limited

From: Peter Davies
Appointed Actuary

Re: Medical Insurance Society Limited: Report as at 31st March 2024 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for Medical Insurance Society Limited as at 31st March 2024. "Actuarial information" includes the following:

   - claim provisions and unexpired risk provisions;
   - solvency calculations in terms of the RBNZ Solvency Standard;
   - balance sheet and other information allowed for in the calculation of the company's solvency position; and
   - disclosures regarding the methodology and assumptions used for calculating claim provisions, unexpired risk provisions, and other disclosures.

2. No limitations have been placed on my work.

Level 1, Building 1, 61 Constellation Drive, Mairangi Bay 0632 Telephone (09) 489-3551 e-mail: pdavies@actuary.co.nz
P.O. Box 35-258, Browns Bay, Auckland 0753 home page: www.actuary.co.nz

3. I am independent with respect to Medical Insurance Society Limited as defined under professional standard ISA (NZ) 620 of the External Reporting Board.

4. I have been provided with all information that I have requested in order to carry out this review.

5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.

6. At 31st March 2024, Medical Insurance Society Limited exceeded the minimum solvency requirement under the RBNZ Interim Solvency Standard, issued in October 2022. The Company is projected to exceed the minimum RBNZ requirements at all times over the next four years.

I would be very happy to answer any queries concerning this report.

Yours sincerely

Peter

Peter Davies B.Bus.Sc., FIA, FNZSA
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