MEDICAL LIFE ASSURANCE SOCIETY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2024

	Note	2024 $000	Restated 2023 $000
Insurance revenue	2.1	50,745	50,464
Insurance service expense	2.2	(36,203)	(31,276)
Insurance service result before reinsurance contracts held		**14,542**	**19,188**
Allocation of reinsurance premiums	2.2	(15,064)	(13,378)
Amounts recoverable from reinsurers for incurred claims	2.2	13,217	6,582
Net income / (expense) from reinsurance contracts held		**(1,847)**	**(6,796)**
Insurance service result		**12,695**	**12,392**
Interest revenue calculated using the effective interest method		1,101	373
Interest paid	6.4	(88)	(62)
Investment income / (loss)	3.1	4,785	(1,528)
Total investment income		**5,798**	**(1,217)**
Insurance finance expenses		(2,911)	(2,751)
Reinsurance finance (expenses) / income		1,491	912
Net insurance financial result		**(1,420)**	**(1,839)**
Other expenses		(7,631)	(6,832)
Net profit / (loss)		**9,442**	**2,504**
Other comprehensive income / (loss)		-	-
Total comprehensive income / (loss)		**9,442**	**2,504**

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 LIFE ASSURANCE SOCIETY LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2024

	Note	Share Capital $000	Retained Earnings $000	Total $000
At 1 April 2023 (restated)		100	52,551	52,651
Net profit / (loss)		-	9,442	9,442
Other comprehensive income / (loss)		-	-	-
Total comprehensive income / (loss)		**-**	**9,442**	**9,442**
Dividends	5.1	-	(2,700)	(2,700)
At 31 March 2024		**100**	**59,293**	**59,393**

	Note	Share Capital $000	Retained Earnings $000	Total $000
At 1 April 2022, as previously reported		100	63,555	63,655
Impact of adoption of NZ IFRS 17	6.1	-	(13,508)	(13,508)
At 1 April 2022 (restated)		**100**	**50,047**	**50,147**
Net profit / (loss)		-	2,504	2,504
Other comprehensive income / (loss)		-	-	-
Total comprehensive income / (loss)		**-**	**2,504**	**2,504**
Dividends	5.1	-	-	-
At 31 March 2023 (restated)		**100**	**52,551**	**52,651**

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 LIFE ASSURANCE 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	100	100	100
Retained earnings		59,293	52,551	50,047
Total equity		**59,393**	**52,651**	**50,147**
Assets				
Other receivables and prepayments	6.7	85	131	4
Investments	3.2	88,804	77,218	75,999
Reinsurance contract assets	2.2	35,706	33,105	37,671
Total assets		**124,595**	**110,454**	**113,674**
Liabilities				
Advance from Parent company	6.4	2,164	2,264	1,628
Other payables	6.6	158	165	418
Provisions	6.5	59	565	1,441
Insurance contract liabilities	2.2	62,821	54,809	60,040
Total liabilities		**65,202**	**57,803**	**63,527**
Net assets		**59,393**	**52,651**	**50,147**

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

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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 LIFE ASSURANCE SOCIETY LIMITED

STATEMENT OF CASH FLOWS

for the year ended 31 March 2024

	Note	2024 $000	Restated 2023 $000
Operating activities			
Premium received		52,877	49,549
Reinsurance recoveries received		11,574	12,096
Reinsurance premiums paid		(14,531)	(13,414)
Payment of claims and other insurance service expenses		(33,234)	(38,343)
Other operating payments		(7,119)	(7,312)
Interest received		2,005	1,203
Dividend received		842	1,315
Interest paid on advances from Parent company		(136)	(62)
Net movement in advance from Parent company		(1,031)	(140)
Net cash flows from operating activities	6.10	**11,247**	**4,892**
Investing activities			
Contributions to investment funds		(18,747)	(20,992)
Withdrawals from investment funds		10,200	16,100
Net cash flows for investing activities		**(8,547)**	**(4,892)**
Financing activities			
Dividends paid to Parent company	5.1	(2,700)	-
Net cash flows (for) / from financing activities		**(2,700)**	**-**
Net movement in cash held		-	-
Cash and cash equivalents at 1 April		-	-
Cash and cash equivalents at 31 March		**-**	**-**

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

1. OVERVIEW

1.0 About Medical Life Assurance Society Limited

Registered office:
10 Waterloo Quay
Pipitea
Wellington

Medical Life Assurance Society Limited ("the Company" or "MLA") provides life insurance and income protection products to Members of MAS.

The parent and ultimate parent of MLA 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
Contracts measured under the premium allocation approach		
Insurance revenue from contracts measured under the premium allocation approach	29,230	27,272
Contracts measured under the general model		
Amounts relating to the changes in the liability for remaining coverage		
Insurance service expenses incurred in the period	14,223	16,711
Changes in the risk adjustment	1,982	1,662
Contractual service margin recognised in profit or loss	5,249	4,756
Insurance revenue from contracts measured under the general model	21,454	23,129
Contracts measured under the variable fee approach		
Insurance revenue from contracts measured under the variable fee approach	61	63
Total insurance revenue	**50,745**	**50,464**

Insurance revenue comprises the premiums charged for providing insurance coverage, excluding taxes and levies collected on behalf of third parties. Insurance revenue is from contracts measured using three different measurement models: the general measurement model, the premium allocation approach and the variable fee approach.

Premium allocation approach

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 services on the basis of the passage of time.

General measurement model and variable fee approach

Insurance revenue comprises amounts relating to the changes in the liability for remaining coverage which comprises:

- Insurance service expenses expected to be incurred in the period. Insurance service expenses includes incurred claims and other expenses and excludes repayments of investment components and amounts related to income tax that are specifically chargeable to the policyholder.
- Changes in the risk adjustment for non-financial risk, excluding any changes included in insurance finance income or expenses.
- The contractual service margin (CSM) release, which is the CSM recognised in profit or loss for the services provided in the period.
- Experience adjustments for premium receipts.

2.2. Insurance and reinsurance contracts

	2024 $000	2023 $000
Insurance liability for incurred claims	63,148	58,930
Insurance (asset) / liability for remaining coverage	(327)	(4,121)
Insurance contract liabilities	**62,821**	**54,809**
Recoveries of incurred claims	(36,017)	(33,662)
Reinsurance liability for remaining coverage	311	557
Reinsurance contract (assets)	**(35,706)**	**(33,105)**
Net contract liabilities	**27,115**	**21,704**

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.

Insurance contracts and reinsurance contracts held are required to be measured using a general measurement model (GMM) unless the contracts meet certain criteria. The variable fee approach (VFA) is applied to insurance contracts with direct participation features. 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. Further information on how the Company determined appropriate measurement models is outlined in note 2.6.

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. 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. Refunds of premiums have been included in the cashflow line for premiums received.

Movement in the insurance contract liabilities

	Liability / (asset) for remaining coverage	Liability for incurred claims		Total
		Estimates of the PVFCF	Risk adjustment	
	$000	$000	$000	$000
Insurance contract (assets) / liabilities	(4,121)	53,834	5,095	54,809
Net insurance contract (assets) / liabilities at 1 April 2023	**(4,121)**	**53,834**	**5,095**	**54,809**
Contracts under the modified retrospective approach	(21,454)	-	-	(21,454)
Contracts under the fair value approach	(61)	-	-	(61)
Other contracts	(29,230)	-	-	(29,230)
Insurance revenue	(50,745)	-	-	(50,745)
Incurred claims and other expenses	-	40,084	398	40,482
Changes relating to past service	-	(4,279)	-	(4,279)
Insurance service expense	-	35,805	398	36,203
Investment components	-	-	-	-
Insurance service result	(50,745)	35,805	398	(14,542)
Insurance finance expenses / (income)	1,663	1,049	199	2,911
Total changes in the statement of comprehensive income	**(49,082)**	**36,854**	**597**	**(11,631)**
Cashflows:				
Premiums received	52,877	-	-	52,877
Claims and expenses paid	-	(33,234)	-	(33,234)
Total cash flows	**52,877**	**(33,234)**	**-**	**19,643**
Insurance contract (assets) / liabilities	(327)	57,456	5,691	62,821
Net insurance contract (assets) / liabilities at 31 March 2024	**(327)**	**57,456**	**5,691**	**62,821**

	Liability / (asset) for remaining coverage	Liability for incurred claims		Total
		Estimates of the PVFCF	Risk adjustment	
	$000	$000	$000	$000
Insurance contract (assets) / liabilities	(7,447)	62,014	5,473	60,040
Net insurance contract (assets) / liabilities at 1 April 2022	**(7,447)**	**62,014**	**5,473**	**60,040**
Contracts under the modified retrospective approach	(23,129)	-	-	(23,129)
Contracts under the fair value approach	(63)	-	-	(63)
Other contracts	(27,272)	-	-	(27,272)
Insurance revenue	(50,464)	-	-	(50,464)
Incurred claims and other expenses	-	28,154	(242)	27,912
Changes relating to past service	-	3,364	-	3,364
Insurance service expense	-	31,518	(242)	31,276
Investment components	-	-	-	-
Insurance service result	(50,464)	31,518	(242)	(19,188)
Insurance finance expenses / (income)	4,240	(1,354)	(135)	2,751
Total changes in the statement of comprehensive income	**(46,224)**	**30,164**	**(377)**	**(16,437)**
Cashflows:				
Premiums received	49,550	-	-	49,550
Claims and expenses paid	-	(38,343)	-	(38,343)
Total cash flows	**49,550**	**(38,343)**	**-**	**11,207**
Insurance contract (assets) / liabilities	(4,121)	53,834	5,095	54,809
Net insurance contract (assets) / liabilities at 31 March 2023	**(4,121)**	**53,834**	**5,095**	**54,809**

Movement in the net reinsurance contract assets / (liabilities)

	Liability for remaining coverage	Amounts recoverable for incurred claims		Total
		Estimates of the PVFCF	Risk adjustment	
	$000	$000	$000	$000
Reinsurance contract assets / (liabilities)	(557)	30,812	2,850	33,105
Net reinsurance contract (liabilities) / assets at 1 April 2023	**(557)**	**30,812**	**2,850**	**33,105**
Allocation of reinsurance premiums	(15,064)	-	-	(15,064)
Recovery of incurred claims and expenses	-	16,111	601	16,712
Changes to amounts recoverable for incurred claims	-	(3,165)	(316)	(3,481)
Changes in non-performance risk of reinsurers	-	(14)	-	(14)
Net income from reinsurance contracts held	-	12,932	285	13,217
Reinsurance finance income / (expenses)	779	600	112	1,491
Total changes in the statement of comprehensive income	**(14,285)**	**13,532**	**397**	**(356)**
Cashflows:				
Premiums paid	14,531	-	-	14,531
Recoveries received	-	(11,574)	-	(11,574)
Total cash flows	**14,531**	**(11,574)**	**-**	**2,957**
Reinsurance contract assets / (liabilities)	(311)	32,770	3,247	35,706
Net reinsurance contract assets / (liabilities) at 31 March 2024	**(311)**	**32,770**	**3,247**	**35,706**

	Liability for remaining coverage	Amounts recoverable for incurred claims		Total
		Estimates of the PVFCF	Risk adjustment	
	$000	$000	$000	$000
Reinsurance contract assets / (liabilities)	(2,332)	36,866	3,137	37,671
Net reinsurance contract assets / (liabilities) at 1 April 2022	**(2,332)**	**36,866**	**3,137**	**37,671**
Allocation of reinsurance premiums	(13,378)	-	-	(13,378)
Recovery of incurred claims and expenses	-	12,619	372	12,991
Changes to amounts recoverable for incurred claims	-	(5,836)	(584)	(6,420)
Changes in non-performance risk of reinsurers	-	11	-	11
Net income from reinsurance contracts held	-	6,794	(212)	6,582
Reinsurance finance income / (expenses)	1,739	(752)	(75)	912
Total changes in the statement of comprehensive income	**(11,639)**	**6,042**	**(287)**	**(5,884)**
Cashflows:				
Premiums paid	13,414	-	-	13,414
Recoveries received	-	(12,096)	-	(12,096)
Total cash flows	**13,414**	**(12,096)**	**-**	**1,318**
Reinsurance contract assets / (liabilities)	(557)	30,812	2,850	33,105
Net reinsurance contract assets / (liabilities) at 31 March 2023	**(557)**	**30,812**	**2,850**	**33,105**

Movement in the net insurance contract assets / liabilities - for contracts measured under the GMM

	Present value of future cash flows	**Risk adjustment**	**CSM**	**Total**
	$000	**$000**	**$000**	**$000**
Insurance contract (assets) / liabilities	(22,938)	23,676	40,270	41,008
Net insurance contract (assets) / liabilities at 1 April 2023	**(22,938)**	**23,676**	**40,270**	**41,008**
Changes that relate to current services				
CSM recognised for services provided	-	-	(5,249)	(5,249)
Changes in risk adjustment	-	(1,843)	-	(1,843)
Experience adjustments	12,030	-	-	12,030
Changes that relate to future services				
Contracts initially recognised in the period	(7,615)	1,889	5,725	-
Changes that adjust the CSM	(9,136)	1,734	7,403	-
				-
Changes that relate to past services				
Adjustments to liability for incurred claims	(4,279)	600	-	(3,678)
Insurance service result	(9,000)	2,380	7,879	1,259
Insurance finance expenses / (income)	461	350	1,725	2,536
Statement of comprehensive income	**(8,539)**	**2,730**	**9,604**	**3,795**
Premiums received	23,331	-	-	23,331
Claims and other expenses paid	(18,474)	-	-	(18,474)
Total cash flows	**4,857**	**-**	**-**	**4,857**
Insurance contract (assets) / liabilities	(26,620)	26,406	49,874	49,660
Net insurance contract (assets) / liabilities at 31 March 2024	**(26,620)**	**26,406**	**49,874**	**49,660**

	Present value of future cash flows	**Risk adjustment**	**CSM**	**Total**
	$000	**$000**	**$000**	**$000**
Insurance contract (assets) / liabilities	(18,717)	24,177	37,660	43,120
Net insurance contract (assets) / liabilities at 1 April 2022	**(18,717)**	**24,177**	**37,660**	**43,120**
Changes that relate to current services				
CSM recognised for services provided	-	-	(4,756)	(4,756)
Changes in risk adjustment	-	(2,056)	-	(2,056)
Experience adjustments	(7,042)	-	-	(7,042)
Changes that relate to future services				
Contracts initially recognised in the period	(7,210)	1,789	5,421	-
Changes that adjust the CSM	(425)	(332)	758	-
Changes that relate to past services				
Adjustments to liability for incurred claims	3,364	1,261	-	4,625
Insurance service result	(11,313)	661	1,423	(9,229)
Insurance finance expenses / (income)	2,774	(1,162)	1,187	2,799
Statement of comprehensive income	**(8,540)**	**(501)**	**2,610**	**(6,431)**
Premiums received	21,771	-	-	21,771
Claims and other expenses paid	(17,452)	-	-	(17,452)
Total cash flows	**4,319**	**-**	**-**	**4,319**
Insurance contract (assets) / liabilities	(22,938)	23,676	40,270	41,008
Net insurance contract (assets) / liabilities at 31 March 2023	**(22,938)**	**23,676**	**40,270**	**41,008**

Movement in the net reinsurance contract assets / liabilities - for contracts measured under the GMM

	Present value of future cash flows	Risk adjustment	CSM	Total
	$000	$000	$000	$000
Reinsurance contract assets / (liabilities)	(2,560)	10,741	24,196	32,378
Net reinsurance contract assets / (liabilities) at 1 April 2023	**(2,560)**	**10,741**	**24,196**	**32,378**
Changes that relate to current services				
CSM recognised for services received	-	-	(3,151)	(3,151)
Changes in risk adjustment	-	(1,258)	-	(1,258)
Experience adjustments	4,574	-	-	4,574
Changes that relate to future services				
Contracts initially recognised in the period	(4,053)	1,006	3,047	-
Changes that adjust the CSM	(5,664)	1,137	4,527	-
Changes that relate to past services				
Adjustments to recoveries for incurred claims	131	334	-	465
Reinsurance service result	(5,011)	1,218	4,423	629
Reinsurance finance income / (expenses)	773	196	1,034	2,002
Statement of comprehensive income	**(4,239)**	**1,413**	**5,457**	**2,632**
Premiums paid	7,929	-	-	7,929
Recoveries received	(4,375)	-	-	(4,375)
Total cash flows	**3,554**	**-**	**-**	**3,554**
Reinsurance contract assets / (liabilities)	(3,245)	12,155	29,653	38,563
Net reinsurance contract assets / (liabilities) at 31 March 2024	**(3,245)**	**12,155**	**29,653**	**38,563**

	Present value of future cash flows	Risk adjustment	CSM	Total
	$000	$000	$000	$000
Reinsurance contract assets / (liabilities)	361	10,800	21,685	32,845
Net reinsurance contract assets / (liabilities) at 1 April 2022	**361**	**10,800**	**21,685**	**32,845**
Changes that relate to current services				
CSM recognised for services received	-	-	(2,726)	(2,726)
Changes in risk adjustment	-	(1,589)	-	(1,589)
Experience adjustments	(4,687)	-	-	(4,687)
Changes that relate to future services				
Contracts initially recognised in the period	(3,692)	916	2,776	-
Changes that adjust the CSM	(2,077)	298	1,780	-
Changes that relate to past services				
Adjustments to recoveries for incurred claims	3,505	742	-	4,247
Reinsurance service result	(6,952)	366	1,830	(4,755)
Reinsurance finance income / (expenses)	651	(425)	681	908
Statement of comprehensive income	**(6,300)**	**(58)**	**2,512**	**(3,847)**
Premiums paid	8,039	-	-	8,039
Recoveries received	(4,660)	-	-	(4,660)
Total cash flows	**3,379**	**-**	**-**	**3,379**
Reinsurance contract assets / (liabilities)	(2,560)	10,741	24,196	32,378
Net reinsurance contract assets / (liabilities) at 31 March 2023	**(2,560)**	**10,741**	**24,196**	**32,378**

2.3. Contracts issued in the period

The following table provides an analysis of insurance contracts measured under the general measurement model that were issued in the period. There were no new insurance contracts issued which are measured under the variable fee approach. No contracts were acquired from other entities during the period and no groups of contracts recognised are onerous.

Insurance contracts

	2024 $000	2023 $000
Estimates of the present value of future insurance cash inflows	(17,442)	(16,230)
Estimates of the present value of future insurance cash outflows	9,828	9,020
Risk adjustment for non-financial risk on insurance contracts	1,889	1,789
Contractual service margin on insurance contracts	5,725	5,421
Insurance acquisition cash flows	-	-
	-	**-**

Reinsurance contracts

	2024 $000	2023 $000
Estimates of the present value of future reinsurance cash inflows	6,967	6,346
Estimates of the present value of future reinsurance cash outflows	(2,914)	(2,654)
Risk adjustment for non-financial risk on reinsurance contracts	(1,006)	(916)
Contractual service margin on reinsurance contracts	(3,047)	(2,776)
	-	**-**

2.4. Maturity profile

Expected timing of settlement of the present value of future cash flows

The following table summarises the maturity profile of portfolios of insurance contracts issued that are liabilities of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

	2024	2023
Insurance contract liabilities - GMM	**$000**	**$000**
Up to 1 year	3,325	4,900
1-2 years	1,921	2,086
2-3 years	9	273
3-4 years	(1,111)	(805)
4-5 years	(1,802)	(1,604)
>5 years	(28,962)	(27,658)
Total	**(26,620)**	**(22,808)**
Insurance contract liabilities - VFA		
Up to 1 year	442	409
1-2 years	397	368
2-3 years	370	342
3-4 years	342	317
4-5 years	317	293
>5 years	2,998	2,774
Total	**4,866**	**4,503**
Liability for incurred claims - PAA		
Up to 1 year	1,493	2,940
Total	**1,493**	**2,940**

A description of how the Company manages its liquidity risk is included in note 4.5. The table below summarises the expected utilisation or settlement of insurance liabilities and reinsurance assets.

Insurance contract liabilities	2024 $000	2023 $000
No more than 12 months	21,997	21,892
More than 12 months	40,824	32,917
Total	**62,821**	**54,809**

Reinsurance contract assets		
No more than 12 months	5,245	8,050
More than 12 months	30,461	25,055
Total	**35,706**	**33,105**

Expected timing of contractual service margin release

The following table shows when the contractual service margin is expected to be recognised in profit or loss.

Insurance contract liabilities	2024 $000	2023 $000
Less than 1 year	6,426	5,125
2 to 5 years	18,747	14,971
More than 5 years	24,701	20,174
Total	**49,874**	**40,270**

Reinsurance contract assets		
Less than 1 year	3,842	3,078
2 to 5 years	11,292	9,112
More than 5 years	14,519	12,006
Total	**29,653**	**24,196**

The Company operates a sub-fund in respect of its participating policyholders as required under the Insurance (Prudential Supervision) Act and Regulations. The balance of the participating fund is $4.9 million at 31 March 2024 (2023: $4.5 million). No other amounts are payable on demand at 31 March 2024 (2023: none). The balance of the participating fund is recognised within the asset/liability for remaining coverage.

Based on the recommendations of the Appointed Actuary, the Board has approved a bonus declaration for participating policyholders:

Bonus on sum insured	2.0% (2023: 0.0%)
Bonus on existing bonuses	3.2% (2023: 0.0%)

2.5. Impact of changes in key variables

Insurance contract liabilities are 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 contract liabilities (income protection)	**Impact on profit and equity Gross of reinsurance**		**Impact on profit and equity Net of reinsurance**	
	2024	**2023**	**2024**	**2023**
Insurance liability for incurred claims	**$000**	**$000**	**$000**	**$000**
Interest rate - increase 1%	3,433	3,124	1,521	1,423
Interest rate - decrease 1%	(3,260)	(2,968)	(1,446)	(1,352)
Claim terminations (morbidity) - increase 10%	2,793	2,495	1,130	1,042
Claim terminations (morbidity) - decrease 10%	(2,597)	(2,320)	(1,051)	(969)
Insurance (asset) / liability for remaining coverage				
Interest rate - increase 1%	(4,331)	(3,929)	(2,757)	(2,521)
Interest rate - decrease 1%	4,547	4,125	2,896	2,644
Claim frequencies (morbidity) - increase 10%	(344)	(1,206)	(669)	(1,153)
Claim frequencies (morbidity) - decrease 10%	344	1,206	669	1,153
Lapses and cancellations - increase 10%	(319)	(4)	(202)	16
Lapses and cancellations - decrease 10%	339	5	215	(17)
Expenses - increase 10%	(156)	(549)	(156)	(549)
Expenses - decrease 10%	156	549	156	549

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 insurance contract liabilities and reinsurance contracts held, as the liabilities are discounted to present value by reference to risk-free rates (see note 2.6). The Company is also exposed to interest rate movements through its advance from the Parent Company and fixed interest investments.

Changes in insurance/reinsurance finance income or expenses and changes in investment income/loss are interrelated to the extent that 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 material price risk.

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

	Impact on profit and equity	
Sensitivity analysis - investments at fair value through profit or loss	**2024**	**2023**
	$000	**$000**
Interest rates increase by 1%	(2,044)	(731)
Interest rates decrease by 1%	2,044	731
Unit prices increase by 10%	1,615	3,382
Unit prices decrease by 10%	(1,615)	(3,382)

2.6. Material accounting judgements, estimates and assumptions

In applying the Company's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors. All judgements, estimates and assumptions are based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions.

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
Life insurance contracts - stepped	PAA
Life insurance contracts - level premium term life	GMM
Income protection insurance contracts	GMM
Whole of life insurance contracts (participating)	VFA
Life reinsurance contracts held	PAA
Income protection reinsurance contracts held	GMM

Contract boundary
The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. Cash flows are within the boundary of a reinsurance contract if they arise from substantive rights and obligations that exist during the reporting period to receive services from reinsurers or the Company has a substantive obligation to pay amounts to the reinsurer.

Accounting model eligibility
NZ IFRS 17 introduces different measurement models in calculating insurance and reinsurance contract assets and liabilities reflecting the different extents of policyholder participation. The three models are:
- General measurement model (GMM)
- Variable fee approach (VFA)
- Premium allocation approach (PAA)

The GMM is the default model and has been applied to level premium term life insurance contracts, income protection disability insurance contracts and income protection reinsurance contracts held.

The Company offers whole of life insurance contracts with direct participation features where the performance of underlying investment items is shared between the Company and policyholders. Insurance contracts with direct participation features are measured under the VFA. The VFA modifies the GMM to reflect that the consideration the Company receives for the contracts is a variable fee.

PAA can be applied to short-duration contracts (coverage period of twelve months of less) or where adopting PAA would produce a measurement of the liability for remaining coverage that does not differ materially from the one produced by applying GMM.

The Company has determined that its stepped life insurance contracts are eligible to apply PAA as the coverage period is one year or less. The contract boundary has been assessed as twelve months as the Company has the practical ability to reassess the risks of policyholders annually and, as a result, can set a price or level of benefits that fully reflects those risks. The level premium term life contracts rating structure requires the carry-forward of premiums to fund claims in future years, meaning the contract boundary is longer than twelve months and the GMM must be applied.

The Company has determined that its life reinsurance contracts held are eligible to apply PAA as the resulting measurement under PAA does not differ materially from the result under the GMM.

The Company has determined that whole of life insurance contracts are eligible to apply VFA as they meet the following criteria:
- contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Measurement
Under the GMM, the Company measures the liability for remaining coverage as the sum of the present value of the fulfilment cash flows, a risk adjustment for non-financial risk and a CSM representing the unearned profit the Company will recognise as it provides insurance contract services under the insurance contracts in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.
When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:
- Premiums and related cash flows
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims
- Payments to policyholders resulting from embedded surrender value options
- Non-claims expenses which are directly attributable to fulfilling insurance contracts such as claims handling costs and overheads
- Transaction-based taxes.

Under the PAA, the Company measures the liability for remaining coverage as the premiums received net of amounts recognised as insurance revenue for coverage that has been provided. Under the VFA, the Company measures the liability for remaining coverage based on the amount of the participating fund at balance date.

Under both measurement models, the liability for incurred claims (and asset for recoveries of incurred claims) is measured as the fulfilment cash flows (sum of present value of future cash flows and a risk adjustment) relating to incurred claims and attributable expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The Company has no onerous contracts and therefore does not have a loss component disclosure.

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- future cash flows consider the need to allow for the effect of non-performance by reinsurers, including losses from disputes
- the risk adjustment for non-financial risk considers the amount of risk being transferred to the reinsurer.

Where there is a net gain on initial recognition of reinsurance contracts, a negative CSM is recognised reflecting that expected reinsurance premiums are less than expected reinsurance recoveries.

Insurance acquisition cash flows (IACF)
IACF arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company has determined that it does not have any material expenses which meet the definition of an IACF and therefore has not recognised an IACF asset. All expenses directly attributable to fulfilling insurance contracts are recognised as insurance service expenses in profit or loss.

Insurance/reinsurance finance income or expenses
Insurance/reinsurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts issued/reinsurance contracts held arising from:
- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk.

Key assumptions - insurance contracts under the GMM

Expenses, lapses and cancellations and inflation rate assumptions relate to the calculation of the liability for remaining coverage. Morbidity assumptions relate to the calculation of the liability for remaining coverage and liability for incurred claims.

Morbidity - Income protection products
Claim frequencies and claim terminations are based on adjustments to the Commissioners Individual Disability (CIDA) table, reflecting the Company's experience.

Expenses
Expenses that are directly attributable to the fulfilment of insurance contracts are within the contract boundary and included in the measurement of the group of insurance contracts. These expenses include costs of administering policies in-force, costs of new business, and an allocation of overhead expenses. Future expenses are projected using past actual experience and are adjusted for expected inflation. Expected inflation rates are based on management estimates.

Lapses and cancellations
Assumptions are made around changes in level of cover and policy lapses. Assumptions are primarily based on recent Company experience. Lapse rate is assumed at 6% per annum for yearly renewable life contracts (2023: 6%), with additional selective lapses above age 60 (2023: no change). A 5% lapse rate is assumed for the Company's in-force Income protection policy (2023: 5%). Higher lapse rates are assumed for closed income protection plans.

Inflation Rates
Inflation impacts on the valuation in broadly two ways. Some contracts provide for the increase of future benefits in line with the Consumer Price Index (CPI), subject to a minimum materiality level. The CPI for lump sum policy increases is assumed to be 2.5% per annum (2023: 2.5%). The assumed indexation for income protection benefits varies between 0.0% and 2.0% depending on the product (2023: 0.0% and 2.0%). The assumed rate of expense inflation is assumed to be 2.0% per annum (2023: 2.0%).

The lump sum indexation assumption applies to those products that offer indexation benefits, and those policyholders with that product that have opted for the indexation benefit (2023: no change). The income protection indexation assumption applies to all covers of each respective product type (2023: no change).

Risk adjustment (RA) for non-financial risk
The RA reflects the compensation required for bearing the uncertainty about the amount and timing of the cashflows that arise from non-financial risk. For contracts measured under PAA, a risk adjustment is only applied for the measurement of the liability for incurred claims and asset for recoveries of incurred claims. The Company derives risk adjustment for non-financial risk by using a confidence level approach. The confidence level, inclusive of diversification benefits, is 75% (2023: 75%).

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. The Company has therefore discounted its insurance contract liabilities and reinsurance contract assets where these balances relate to income protection claims.

For life insurance contracts issued and reinsurance contracts held under the PAA, the Company has elected not to discount the asset/liability for remaining coverage held as the time between providing each part of the services and the related premium due date is no more than one year. The Company has elected not to discount the liability for incurred claims and asset for recoveries of incurred claims as cash flows are expected to be paid or received within one year from the date the relevant claim was incurred.

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% on the liability for incurred claims and asset for recoveries of incurred claims (2023: 10%) and 5% on the asset/liability for remaining coverage (2023: 5%). The risk free rates are based on New Zealand treasury yield curves for the valuation of long-term liabilities as at balance date (2023: no change). The table below discloses rates used to discount future cashflows for contracts issued under GMM. These rates exclude the 5% illiquidity premium.

Current discount rates are used to measure the fulfilment cash flows. Interest accreted on the carrying amount of the CSM during the reporting period and changes to the CSM are measured at the discount rates at initial recognition.

	2024	**2023**
1 year	5.25%	5.11%
5 years	4.41%	4.16%
10 years	4.69%	4.31%
15 years	4.86%	4.44%
20 years	4.94%	4.50%
25 years	4.99%	4.54%

Contractual Service Margin (CSM)
Insurance contracts issued
The CSM, which applies to insurance contracts measured under the GMM and VFA, is a component of the carrying amount of the asset or liability for a group of insurance contracts issued and represents the expected future profit that the Company will recognise as it provides coverage in the future.

A negative CSM at the date of inception occurs when a group of insurance contracts issued are onerous. A loss from onerous contracts is recognised immediately. No CSM is recognised on the balance sheet at initial recognition and a loss component is recognised.

The CSM of a group of contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the services provided, the expected coverage period and time value of money. The coverage unit is the sum insured. The CSM accrues at the locked-in discount rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period

The CSM is adjusted for changes in fulfilment cash flows that relate to future service. These changes comprise experience adjustments, changes in estimates of the present value of future cash flows and changes in the risk adjustment for non-financial risk that relate to future service.

Reinsurance contracts held
The initial and subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force. The coverage unit is the sum reinsured.

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.

Under the GMM and VFA, the Company assesses whether contracts have no significant possibility of becoming onerous based on the likelihood of changes in significant assumptions and using information provided by its internal reporting processes.

The Company has assessed that it has no onerous insurance contracts during the year ended 31 March 2024 (2023: none).

Investment components - whole of life insurance contracts
Investment components are amounts that the Company is required to repay to policyholders in all circumstances, regardless of whether an insured event occurs. The Company has assessed that the surrender value of its whole of life insurance contracts meet the definition of a non-distinct investment component as the contract includes a surrender value payable on cancellation of the policy. The investment component has been determined as non-distinct it is highly interrelated with the insurance contract and is therefore not separately accounted for, however receipts and payments of the investment component are excluded from insurance revenue and insurance service expense. The Company's products do not include any distinct components.

Assumed future bonus rates - whole of life insurance contracts
The Company's philosophy is to set bonus rates such that over longer periods, the returns to participating policyholders will be commensurate with the investment returns on the assets held. Distributions are split between policyholders and shareholders, with shareholders assumed to be entitled to 25% of the distribution to policyholders. Assumed rates of future bonus have been set so that the present value of the policy liabilities equals the present value of the assets supporting the business. Allowance is made for the shareholders' right to participate in the distributions. Assumed future bonus rates for participating policies were:

Bonus rate on sum assured: $28 per mille (2023: $17 per mille)
Bonus rate on existing bonuses: $44 per mille (2023: $27 per mille)

Modifications
There have been no modifications to insurance contracts issued or reinsurance contracts held during the year (2023: none).

Transition Approach
On transition date, 1 April 2022, the Company has identified, recognised and measured each group of insurance contracts as if NZ IFRS 17 had always applied, derecognised any existing balances that would not exist had NZ IFRS 17 always applied and recognised the resulting net difference in equity.

NZ IFRS 17 is applied using a full retrospective approach unless impracticable. The full retrospective approach has been applied for all contracts which are measured under the PAA model.

For income protection insurance and reinsurance contracts measured under the GMM, the Company has been unable to obtain all necessary information to apply the full retrospective approach. The modified retrospective approach has been used for these contracts. The Company has used reasonable and supportable information from its existing reporting systems and determined the CSM at transition date by valuing each new business cohort at the date the Company acquired the income protection contracts from Medical Insurance Society Limited (1 April 2012). The CSM determined at transition date is equivalent to the CSM under the full retrospective approach, with some simplifications to adjust the CSM for the changes in assumptions between acquisition date (1 April 2012) and applying NZ IFRS 17. Key assumptions included morbidity, cancellations, discount rates and expenses, and this has resulted in the closest outcome to the full retrospective approach.

For whole of life contracts measured under the VFA and level premium term life contracts measured under the GMM, obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. The fair value approach has been used for these contracts. The Company has determined the CSM of the liability for remaining coverage under GMM at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the Company has applied the requirements of IFRS 13 Fair Value Measurement.

Refer to note 6.1 for further information on the impact of adoption of NZ IFRS 17 on opening equity.

2.7. Claims development

The following table illustrates how estimates of cumulative incurred income protection 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. Due to the long tail nature of income protection claims, the Company has a number of active claims that pre-date 2015. Life claims are excluded from the analysis as they are typically settled within a short timeframe of the claim being recognised.

	Prior $000	2015 $000	2016 $000	2017 $000	2018 $000	2019 $000	2020 $000	2021 $000	2022 $000	2023 $000	2024 $000	Total $000
At end of incident year		5,839	7,561	6,549	7,577	6,630	9,231	14,054	16,735	13,323	13,184	
One year later		5,272	7,475	10,151	9,018	8,389	14,006	19,915	18,772	14,529		
Two years later		5,933	7,360	11,761	11,349	8,663	15,390	18,805	18,983	-		
Three years later		7,012	7,477	14,243	9,772	9,101	17,121	19,521	-	-		
Four years later		7,109	8,267	16,625	11,268	9,134	18,225	-	-	-		
Five years later		6,537	8,815	17,496	10,229	10,146	-	-	-	-		
Six years later		6,869	8,534	17,570	9,474	-	-	-	-	-		
Seven years later		6,811	8,633	19,758	-	-	-	-	-	-		
Eight years later		6,956	8,802	-	-	-	-	-	-	-		
Nine years later		7,062	-	-	-	-	-	-	-	-		
Current estimated claim cost		7,062	8,802	19,758	9,474	10,146	18,225	19,521	18,983	14,529	13,184	
Cumulative payments		(6,192)	(7,479)	(11,173)	(6,589)	(6,872)	(9,870)	(8,843)	(6,343)	(6,564)	(1,425)	
Gross undiscounted liabilities for incurred claims	5,916	869	1,323	8,585	2,885	3,274	8,354	10,678	12,640	7,965	11,759	74,248
Effect of discounting												(18,284)
Risk adjustment												5,691
Total gross liabilities for incurred claims												61,655

	2024 $000	Restated 2023 $000
Life insurance contracts - stepped	1,493	2,940
Life insurance contracts - level premium term life	-	-
Income protection insurance contracts	61,655	55,990
Total liability for incurred claims	**63,148**	**58,930**

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 MLA'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
Fixed interest	3,643	(1,324)
Equities	1,142	(204)
Investment income / (loss)	**4,785**	**(1,528)**
Realised investment income	1,746	2,493
Unrealised investment gain / (loss)	3,039	(3,648)
Investment income / (loss)	**4,785**	**(1,528)**

Domestic and international fixed interest and equity 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	25,866	14,484
Domestic fixed interest	46,784	28,911
International fixed interest (unit trust)	8,551	27,364
MAS Wholesale International Equities Fund	5,285	4,283
MAS Wholesale Australasian Equities Fund	2,318	2,176
Total investments	**88,804**	**77,218**

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.

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	-	46,784	-	46,784
International fixed interest (unit trust)	-	8,551	-	8,551
MAS Wholesale International Equities Fund	-	5,285	-	5,285
MAS Wholesale Australasian Equities Fund	-	2,318	-	2,318
Total investments at fair value through profit or loss	-	**62,938**	-	**62,938**
2023				
Domestic fixed interest	-	28,911	-	28,911
International fixed interest (unit trust)	-	27,364	-	27,364
MAS Wholesale International Equities Fund	-	4,283	-	4,283
MAS Wholesale Australasian Equities Fund	-	2,176	-	2,176
Total investments at fair value through profit or loss	-	**62,734**	-	**62,734**

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 4.7 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.

Unit trust and MAS Wholesale Funds
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 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)	226,407	67,009
Adjusted prescribed capital requirement (2023: minimum solvency capital)	201,957	51,317
Adjusted solvency margin (2023: solvency margin)	24,450	15,692
Adjusted solvency ratio (2023: solvency ratio)	1.12	1.31

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. The major insurance risks are:
- Mortality and morbidity: the risk of loss due to policyholder's death, or health experience being different to expectations;
- Policyholder behaviour: the risk policyholder's either cancel/lapse their policies or change levels of cover are different to expectations;
- Expense: the risk of the cost base being different to expectations.

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.

The concentration of insurance risk is mitigated through the use of reinsurance and the diversification of risk across a number of life insurance products.

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.

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 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**
On call and term deposits	0%	65%	35%	0%	0%	25,866
Domestic fixed interest	35%	38%	12%	11%	4%	46,784
Reinsurance contract assets	0%	100%	0%	0%	0%	36,017
2023 Restated						
On call and term deposits	0%	62%	38%	0%	0%	14,484
Domestic fixed interest	0%	61%	3%	29%	7%	28,911
Reinsurance contract assets	0%	100%	0%	0%	0%	33,662

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. There are no material concentrations of credit risk arising from insurance contracts.

The following table discloses the number of reinsurance counterparties the Company has an exposure to in excess of 10% of equity. All reinsurance parties are rated at least AA- (2023: minimum of AA-)

	2024	**2023**
10% - 20% of equity	2	2
20% - 30% of equity	1	1

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					
Investments	23,626	18,392	27,637	19,149	88,804
31/03/2023					
Investments	38,235	13,836	13,560	11,587	77,218

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	-	2,164	-	-	2,164
Other payables	-	158	-	-	158
31/03/2023					
Advance from Parent Company	-	2,264	-	-	2,264
Other payables	-	165	-	-	165

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. On call and term deposits 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 on call and term deposits which are valued at amortised cost. Refer to section 3 for further information on investments. 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	100,000	100,000
Issue of Share Capital	-	-
Ordinary Shares, issued and fully paid at end of the year	100,000	100,000
Ordinary Share Capital	$ 100,000	$ 100,000

During the year the Board approved a dividend payment of $2.7 million (2023: none). All shares carry the same voting rights, and rights to share in any profit upon winding up.

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 ("NZ IFRS 4") and establishes new accounting requirements for insurance contracts. The standard requires a retrospective application and a restatement of comparative information.

The adoption of NZ IFRS 17 has resulted in a decrease to net assets at 1 April 2022 of $13.5 million, due to a $16.3 million increase in insurance contract liabilities and a $2.8 million increase in reinsurance contract assets. There has been significant changes in the presentation of the financial statements under NZ IFRS 17 and the new NZ IFRS 17 balance sheet lines do not have a direct comparative under NZ IFRS 4. The decrease to net assets has been recognised as an adjustment to opening equity.

Details of the key policy decisions of adopting NZ IFRS 17 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	64	106
Fees to auditors - for other assurance and related services	25	20

The auditor of the Company is Ernst & Young (EY). In 2023 fees for the audit of financial statements includes 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 Life Assurance 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% (2023: no change). Auditor remuneration is paid by the Parent company.

- The advance from the Parent of $2.2 million (2023: $2.3 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 (2023: none).

	2024	2023
	$000	**$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 MLA 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: $1.5 million).

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

	2024	2023
	$000	**$000**
Material transactions during the period with related parties:		
Interest paid on advances from Parent Company	(88)	(62)
Administration fees paid to Parent Company	(17,515)	(16,041)
Dividends paid to Parent Company	(2,700)	-
Reconciliation of outstanding balances with related parties at period end:		
Opening: Advance (from) / to Parent Company at 1 April	(2,264)	(1,628)
Net Advances to / (from) Parent Company during the period	1,031	140
Advance from Parent Provision	(931)	(776)
Closing: Advance from Parent Company at 31 March	(2,164)	(2,264)

6.5 Provisions

	2024	2023
	$000	**$000**
As at 1 April	565	1,441
Remediation Addition	-	105
Remediation Decrease	(131)	-
Remediation Payments	(374)	(981)
As at 31 March	**59**	**565**

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	2023
	$000	**$000**
Other payables	158	165
Total other payables	**158**	**165**

All payables are due within twelve months of balance date.

6.7 Other receivables and prepayments

	2024	2023
	$000	**$000**
Other receivables	-	56
Prepayments	5	5
GST receivable	80	70
	85	**131**

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 is included as part of insurance contract liabilities. GST unrelated to insurance contracts is included as part of other payables/receivables.

6.10 Reconciliation of cash flows

	2024 $000	2023 $000
Net profit / (loss)	9,442	2,504
Add / (deduct) non-cash items:		
Unrealised investment (gain) / loss	(3,039)	3,673
Advance from Parent provision	931	776
Balance sheet movements:		
Other receivables and prepayments	46	(127)
Other payables	(7)	(253)
Provisions	(506)	(876)
Insurance contract liabilities	8,012	(5,231)
Reinsurance contract assets	(2,601)	4,566
Advance from Parent company	(1,031)	(140)
Net Cash Flows from Operating Activities	**11,247**	**4,892**

Building a better working world

Independent Auditor's Report

To the Shareholder of Medical Life Assurance Society Limited

Opinion

We have audited the financial statements of Medical Life Assurance Society Limited ("the Company") on pages 1 to 26, which comprise the statement of financial position of the company as at 31 March 2024, and the statement of comprehensive income, 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 26 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 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.

Transition to NZ IFRS 17

Why significant	How our audit addressed the key audit matter
Effective 1 April 2022, the Company transitioned to the new accounting standard NZ IFRS 17 *Insurance Contracts* ("NZ IFRS 17") which replaced NZ IFRS 4 *Insurance Contracts*. The Company has evaluated the requirements of NZ IFRS 17 and exercised judgement to develop accounting policies and determine appropriate methodologies in order to comply with this new standard. In particular, the determination of the measurement models to apply under the standard, the determination of risk adjustment and the determination of discount rate were considered to be significant to the overall impact of transition. The standard also has a significant impact on disclosures in the notes to the financial statements. The impact of the transition to NZ IFRS 17 is explained in note 6.1 to the financial statements.	Our procedures included: ▶ Assessing the significant judgements to determine the relevant accounting policies against the requirements of NZ IFRS 17. Specifically, this included the significant judgements in determining measurement models, risk adjustment, onerous contracts and discount rates; ▶ Evaluating the application of the appropriate measurement model for specific insurance contracts. This included assessing the assumptions used to derive the fulfillment cash flows and related contractual service margin; ▶ Evaluating the appropriateness of the methodology used to determine the risk adjustment; and ▶ Assessing the adequacy of the financial statement disclosures included in the notes to the financial statements in accordance with requirements of NZ IFRS 17.

Insurance Contract Liabilities

Why significant	How our audit addressed the key audit matter
As at 31 March 2024, the Company recorded Insurance Contract Liabilities of $62.8m as disclosed in note 2.2, consisting of 2 components. The first component relates to the liability for remaining coverage (LRC) which comprises cash flows related to future services to be provided under groups of insurance contracts. The LRC is also inclusive of a risk adjustment, contractual service margin and discounting with	Our procedures included: ▶ Assessing the Insurance Contract Liabilities valuation process including those related to the inputs into the valuation; ▶ Comparing the historical claims and policy data used by the Appointed Actuary to the Company's systems;

Why significant	How our audit addressed the key audit matter

the exception of those measured using the premium allocation approach.
The second component relates to the liability for incurred claims (LIC) and comprises of cash flows related to past services provided under groups of insurance contracts which have not yet been paid, including claims that have been incurred but not yet reported. The LIC balance is also inclusive of a risk adjustment and discounting.
The Company's independent Appointed Actuary calculated the Insurance Contract Liabilities by considering relevant models, inputs and assumptions applicable to the Company.
We considered Insurance Contract Liabilities to be a key audit matter because of the:
▶ financial significance of the Insurance Contract Liabilities;
▶ degree of judgment in developing assumptions and the complexity of valuation models. The key inputs and judgments involved in estimating the Insurance Contract Liabilities include:
    ▶ interest rates
    ▶ terminations
    ▶ assumptions in relation to future fulfilment cashflows
    ▶ assumptions as to frequency of claims
    ▶ cancellation rates
    ▶ administration expenses; and
▶ the change in disclosures relating to the introduction and application of NZ IFRS 17 *Insurance Contracts*.
	▶ Using our actuarial specialists to consider the Insurance Contract Liabilities valuation report prepared by the Appointed Actuary and evaluate the appropriateness of the methodologies and assumptions used in the valuation;
	▶ Evaluating the objectivity, competence and capabilities of the Appointed Actuary; and
	▶ Considering the adequacy of the disclosures included in the notes to the financial statements for the Insurance Contract Liabilities.

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

19th July 2024

To: The Directors
Medical Life Assurance Society Limited

From: Peter Davies
Appointed Actuary

Re: Medical Life Assurance 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 Life Assurance Society Limited as at 31st March 2024. "Actuarial information" includes the following:

   - policy liabilities;
   - 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 policy liabilities, 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 Life Assurance 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 Life Assurance Society Limited exceeded the minimum capital requirement of the RBNZ Interim Solvency Standard, issued in October 2022, which takes effect from 1st April 2024. 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 Davies B.Bus.Sc., FIA, FNZSA
Appointed Actuary

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