

Allianz Australia Insurance Limited -  
New Zealand Branch  
Company number 3994759

Annual Report for the year ended  
31 December 2023

## Company Directory

As at 31 December 2023

<b>Company number</b>	3994759
<b>IRD</b>	109-941-972
<b>Nature of business</b>	Provision of general insurance services
<b>Registered Office</b>	C/- Bell Gully Level 21, Vero Centre 48 Shortland Street, Auckland 1140 New Zealand

### Directors' Information

The Directors present their report together with the financial statements of Allianz Australia Insurance Limited – New Zealand Branch (“the NZ Branch”) for the year ended 31 December 2023 and the auditor’s report thereon. The NZ Branch is the New Zealand branch of the Australian company, Allianz Australia Insurance Limited (“the Company”).

#### Directors

The Directors of the Company at any time during or since the end of the financial year are:

##### **Paula J. Dwyer**

Non-executive Director and Chairman of the Allianz Australia Insurance Limited Board of Directors, Investment Committee and Nomination Committee. Member of the Allianz Australia Risk Committee, Audit Committee, People Culture and Remuneration Committee and Technology Committee.

Paula Dwyer’s executive leadership and business career was in financial and corporate advisory services in mergers and acquisitions, financial markets, corporate finance, strategy and investments. Her career as a Chairman and Non-executive Director spans banking and finance, investment, insurance, healthcare, gambling and entertainment, fast-moving consumer goods, property and construction and retailing.

Paula is presently a Non-executive Director of Dexus Funds Management Limited, Lion Beverages Group, Amcil Limited and Chairman and Non-executive Director of Blackmores Limited and Elenium Automation Pty Ltd. Paula is a member of the Committee of the Melbourne Cricket Club.

##### **Richard D. Feledy**

Managing Director of the Company and Member of the Allianz Australia Investment Committee. Invitee of the Allianz Australia Audit Committee, Risk Committee, People, Culture and Remuneration Committee, Technology Committee and Nomination Committee.

Richard Feledy joined Allianz in 2001 and has over 30 years’ experience in the insurance industry. He was appointed Managing Director in 2018 and is responsible for the overall performance of the Allianz Australia Group of companies in Australia. As a member of the Champions of Change Coalition, he is committed to gender equity and diversity.

Richard is presently a Director of the Insurance Council of Australia.

##### **Anthony (Tony) J. Johnson**

Non-executive Director of the Company and Chairman of the Allianz Australia Audit Committee. Member of the Allianz Australia Risk Committee, Technology Committee and Investment Committee.

Tony Johnson was a Partner and CEO of global professional services firm EY in Oceania and was a member of EY Asia Pacific and global leadership teams. Over 34 years he combined senior firm leadership roles with client work at large Australian and global organisations, predominately in the financial services sector. Tony was formerly a member of Champions of Change Coalition, Leadership Council on Cultural Diversity, Business Council of Australia Committees, Business Advisory Board of Monash Business School and the Board of Australian Business Community Network (ABCN).

Tony is presently Chairman of Bupa ANZ, Director of E&P Financial Group, member of the Advisory Boards of Fujitsu ANZ (Chair) and Kieser Australia, the Melbourne Cricket Club Committee, the Melbourne Theatre Company Board of Management, the Royal Melbourne Hospital Foundation Committee and Trustee of the Collier Charitable Fund.

## Directors' Report (continued)

### Directors (continued)

#### **Michael (Mike) J. Hawker AM**

Non-executive Director of the Company and Chairman of the Allianz Australia Technology Committee. Member of the Allianz Australia Risk Committee, Audit Committee, and Investment Committee.

Mike Hawker has substantial experience, with over 40 years in the financial services industry, including as Chief Executive Officer and Managing Director of Insurance Australia Group from 2001 to 2008 and President of the Insurance Council of Australia from 2004 to 2005. Prior to this, he held senior positions at Westpac, and with Citibank in Australia and Europe. Mike brings a deep understanding of risk management, audit, sustainability and technology transformation, gained through experience in executive and Director positions in Australia and internationally.

Mike is presently Lead Independent Director of Washington H. Soul Pattinson Limited and Altium, Deputy Chair of BUPA Australia and New Zealand, Non-executive Director of BUPA Group (UK), Vicinity Centres Limited and the Museum of Contemporary Art.

#### **Jane F. McAloon AM**

Non-executive Director of the Company and Chairman of the Allianz Australia People Culture and Remuneration Committee. Member of the Allianz Australia Risk Committee, Audit Committee and Technology Committee and Nomination Committee.

Jane McAloon has been in the natural resources, energy, infrastructure, and utility industries for over 30 years. She was formerly the President, Governance and Group Company Secretary at BHP Billiton and Executive Director Strategic Services and Group Company Secretary at AGL. She held senior leadership roles with the NSW Government including Director General Energy and Utilities Department and Deputy/Assistant Director General Cabinet Office, Energy, Rail and Land/Water Departments. She previously worked in private legal practice, as well as tutoring in Economics at Monash University.

Jane is presently a Non-executive Director and Chairman of Energy Australia Limited and BlueScope Steel Limited, a member of Allens Linklaters Advisory Board, and the Chairman of the Monash University Foundation.

#### **Vicki A. McFadden**

Non-executive Director of the Company and Chairman of Allianz Australia Risk Committee. Member of the Allianz Australia Audit Committee, Technology Committee and People, Culture and Remuneration Committee.

Vicki McFadden has broad experience in accounting, finance, risk management, corporate governance and law and is a former investment banker with considerable expertise in capital markets and corporate finance transactions.

Vicki is presently a Non-executive Director and Chairman of The GPT Group.

#### **Thomas K. H. Naumann**

Non-executive Director of the Company and Member of the Allianz Australia Audit Committee, Risk Committee, Investment Committee, Nomination Committee, People, Culture and Remuneration Committee and Technology Committee. Thomas was also the Acting Chairman of the Audit Committee from 9 January 2023 to 6 September 2023.

Thomas Naumann has over 20 years' experience in the insurance industry, with extensive knowledge of the financial services sector. He has held various senior positions in the Allianz SE group since 2003 and was an Executive Director for Allianz Asset Management AG, KG Allgemeine Leasing GmbH & Co. and a Senior General Manager for Dresdner Bank AG.

Thomas is presently an Executive Vice President of Allianz SE, a Non-executive Director of Allianz S.p.A, Allianz Sigorta A.S., Allianz Hayat ve Emeklilik A.S. and the Allianz Australia Life Insurance group of companies. Thomas is also a member of the Supervisory Board and Chair of the Audit & Risk Committee of Allianz Versicherungs-AG, and member of the Supervisory Board and Chair of the Audit & Risk Subcommittee of Allianz Global Corporate and Specialty SE, Munich.

## Directors' Report (continued)

### Directors (continued)

#### **Christopher (Chris) G. Townsend**

Non-executive Director of the Company and Member of the Allianz Australia Risk Committee and Audit Committee.

Chris Townsend has extensive knowledge of the insurance and reinsurance sector, including in the Asia Pacific region, having held various senior executive roles across the industry over the last 34 years. Prior to his appointment to the Board of Management of Allianz in 2021, Chris was the CEO International at AIG Inc. based in Hong Kong and London, responsible for all of AIG's general insurance business outside of the USA, and the CEO for MetLife Asia and part of the Global Executive Committee.

Chris is presently a member of the Board of Management of Allianz SE, overseeing the Global Insurance Lines, Reinsurance, Anglo Markets, Middle East and Africa. Chris is also the Chairman of the Supervisory Board of Allianz Global Corporate & Specialty SE, and a Non-executive Director of a number of other Allianz Global Group companies.

#### **Renate Wagner**

Renate Wagner is a Non-executive Director of the Company.

Renate Wagner has over 25 years' experience in the financial services and insurance industries having worked in various senior executive roles.

She commenced in 2013 at Allianz SE as Head of CFO Office, and has since held a number of roles including Regional CFO Allianz Asia Pacific (Singapore), Regional CEO of Life & Health, Allianz Asia Pacific (Singapore) and Chief Human Resources Officer, Allianz SE.

Renate is presently a member of the Board of Management of Allianz SE, Germany (since 2020) overseeing Asia Pacific, Mergers and Acquisitions, People and Culture. Renate is also Chairperson of Allianz (China) Insurance Holding Company Ltd, a member of the Supervisory Board of Allianz Holding Eins GmbH (Vienna), a Non-executive Director of Bajaj Allianz General Insurance Co Ltd and Bajaj Allianz Life Insurance Co Ltd (India), and a member of the Board of Directors of UniCredit S.p.A (Milan).

#### **Jan-Christian Rosemeyer**

Alternate Director for Renate Wagner and Christopher Townsend, both Non-executive Directors of the Company.

Jan-Christian Rosemeyer has held a number of senior executive roles since he commenced with Allianz SE in 2002, including Senior Advisor for Africa & MENA, Country Chief Financial Officer with Allianz Ayudhya in Thailand, Chief Financial Officer at Allianz SE Reinsurance Branch Singapore. He has also been a member of the Board of Directors on a number of Allianz subsidiaries and a qualified member of the German actuarial society DAV since 2006.

Jan is presently the Head of the Business Division, Asia Pacific, at Allianz SE in Munich.

### Former Directors

#### **Patrick N. J. Allaway**

Patrick Allaway was appointed to the Board of the Company as an independent Non-executive Director on 1 July 2020. Patrick was a member and the Chairman of the Audit Committee, a member of the Risk Committee, Investment Committee and Technology Committee and on, and from, 5 December 2022, with the consent of the Board, Patrick commenced a leave of absence from the Board until his resignation on 1 April 2023.

#### **Ulf Lange**

Ulf Lange was the Alternate Director for Christopher Townsend, limited to attending the Company's Audit Committee and Risk Committee meetings on Mr Townsend's behalf from 17 February 2022 until 18 January 2023.

## Senior Executive Information

#### **Marc Robert Guppy**

Appointed Chief Executive Officer on 6 March 2017.

Mr Guppy previously held roles within Allianz Australia, including as Manager, Corporate Northern and Corporate Manager - Western Australia.

## Directors' Report (continued)

### Directors (continued)

The Board of the NZ Branch met 10 times during the year ended 31 December 2023.

All Directors may attend all Board Committee meetings which they are not a member of, in an ex-officio capacity.

Number of Directors' meetings (including Board Committee meetings) and number of meetings attended by each Director of the NZ Branch during the financial year are listed below.

Director	Board of Directors		Audit Committee		Risk Committee		People, Culture and Remuneration Committee <sup>1</sup>		Investment Committee		Technology Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
<b>Total number of meetings held</b>	10		5**		5**		6**		2		4	
<b>Current Directors</b>												
P.J. Dwyer	10	10	5	5	5	5	6	6	2	2	4	4
R.D. Feledy	10	10	-	5	-	5	-	6	2	2	-	4
A. J. Johnson <sup>2</sup>	2	2	2	2	2	2	-	-	-	-	1	1
V.A. McFadden	10	9	5	5	5	5	6	5	-	-	-	2
J.F. McAloon	10	10	5	5	5	5	6	6	-	-	-	-
M. J. Hawker	10	10	5	5	5	5	-	1	2	2	4	4
R. Wagner <sup>3</sup>	5	5	-	-	-	-	-	1	-	1	-	1
C.G. Townsend	10	9	5	-	5	-	-	-	-	-	-	-
T.K.H. Naumann	10	10	5	5	5	5	6	5	2	2	4	4
<b>Alternate Director</b>												
J. Rosemeyer <sup>4</sup>	-	1	-	1	-	1	-	1	-	-	-	1
<b>Former Directors</b>												
P.N.J. Allaway <sup>5</sup>	-	-	-	-	-	-	-	-	-	-	-	-
U. Lange	-	-	-	-	-	-	-	-	-	-	-	-

<sup>1</sup> Committee changed its name from Human Resources & Remuneration Committee to People, Culture & Remuneration Committee on 22 May 2023.

<sup>2</sup> A. J. Johnson commenced effective 6 September 2023.

<sup>3</sup> R. Wagner commenced effective 15 May 2023.

<sup>4</sup> J. Rosemeyer commenced as Alternate Director for R. Wagner and C. Townsend effective 4 September 2023.

<sup>5</sup> P. N. J. Allaway was on a leave of absence from the Board until his resignation on 1 April 2023.

A Number of meetings held during the time the Director held office during the financial year.

B Number of meetings attended as a member.

\* No meetings for the Nominations Committee were held during the year.

\*\* One meeting held during the year was a joint meeting of the People, Culture & Remuneration Committee, Audit Committee and Risk Committee.

### Shareholder information

Allianz Australia Limited owns 100% of the ordinary shares of Allianz Australia Insurance Limited.

### Other information

#### Bankers

Westpac Banking Corporation

#### Auditors

PwC Australia,  
One International Towers  
Barangaroo  
Sydney, NSW, 2000  
Australia

## Directors' Declaration

In the opinion of the Directors of Allianz Australia Insurance Limited - New Zealand Branch ("the NZ Branch"):

- (a) The financial statements and notes, set out on pages 6 to 48, are in accordance with the Financial Reporting Act 2013, including:
  - (i) fairly presenting the NZ Branch's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and
  - (ii) complying with the New Zealand generally accepted accounting practices.
- (b) There are reasonable grounds to believe that the NZ Branch will be able to pay its debts as and when they become due and payable.
- (c) The Directors draw attention to Note 1 of the financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



**Paula J. Dwyer**  
Director

Sydney  
28 March 2024



**Richard D. Feledy**  
Director

Sydney  
28 March 2024

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	2023 \$000	2022 Restated <sup>1</sup> \$000
Insurance revenue	8	26,478	29,947
Insurance service expenses	8	(11,126)	(40,141)
Net (expenses)/income from reinsurance contracts held	8	(11,333)	4,673
<b>Insurance service result</b>	<b>8</b>	<b>4,019</b>	<b>(5,521)</b>
Interest revenue from financial assets not measured at FVTPL	9	2,887	1,639
Net loss on financial assets measured at FVOCI reclassified to profit or loss on disposal	9	-	(11)
Net credit impairment reversals	9	1	1
<b>Net investment income</b>	<b>9</b>	<b>2,888</b>	<b>1,629</b>
Finance expenses from insurance contracts issued	9	(400)	(457)
Finance income from reinsurance contracts held	9	342	737
<b>Net insurance finance expenses</b>	<b>9</b>	<b>(58)</b>	<b>280</b>
<b>Net insurance and investment result</b>		<b>6,849</b>	<b>(3,612)</b>
<b>Other income and expenses</b>			
Other operating expenses		(2,697)	(604)
Foreign exchange		(496)	(1,174)
<b>Total other income and expenses</b>		<b>(3,193)</b>	<b>(1,778)</b>
<b>Profit/(loss) before income tax</b>		<b>3,656</b>	<b>(5,390)</b>
Income tax (expense)/benefit	10(a)	(1,684)	1,509
<b>Profit/(loss) after income tax</b>		<b>1,972</b>	<b>(3,881)</b>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 12 to 48.

<sup>1</sup> The statement of profit or loss and other comprehensive income has been restated for 2022 as a result of the adoption of NZ IFRS 17 Insurance Contracts.

## Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2023

		2023	2022
	Note	\$000	Restated <sup>1</sup> \$000
<b>Profit/(loss) after income tax</b>		<b>1,972</b>	<b>(3,881)</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified to profit or loss</b>			
Net loss on financial assets measured at FVOCI		-	(31)
Net loss on financial assets measured at FVOCI reclassified to profit or loss on disposal		-	11
Finance (expense)/income from insurance contracts issued	9	(371)	584
Finance income/(expense) from reinsurance contracts held	9	341	(734)
Income tax relating to these items		9	(107)
<b>Other comprehensive income for the year, net of tax</b>		<b>(21)</b>	<b>(277)</b>
<b>Total comprehensive income for the year</b>		<b>1,951</b>	<b>(4,158)</b>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements on pages 12 to 48.

<sup>1</sup> The statement of profit or loss and other comprehensive income has been restated for 2022 as a result of the adoption of NZ IFRS 17 Insurance Contracts.

## Statement of Changes in Head Office Account

For the year ended 31 December 2023

	Head office transfers	Retained earnings	Fair value reserve	Other reserves Insurance finance reserve	Total equity
	\$000	\$000	\$000	\$000	\$000
<b>At 1 January 2023</b>	<b>10,173</b>	<b>15,256</b>	<b>(108)</b>	<b>151</b>	<b>25,472</b>
<b>Net of income tax:</b>					
Profit for the year	-	1,972	-	-	1,972
Other comprehensive income	-	-	-	(21)	(21)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,972</b>	<b>-</b>	<b>(21)</b>	<b>1,951</b>
<b>At 31 December 2023</b>	<b>10,173</b>	<b>17,228</b>	<b>(108)</b>	<b>130</b>	<b>27,423</b>

		Head office transfers	Retained earnings	Fair value reserve	Other reserves Insurance finance reserve	Total equity
		\$000	\$000	\$000	\$000	\$000
<b>At 1 January 2022</b>	Note	<b>23,648</b>	<b>19,962</b>	-	-	<b>43,610</b>
Adjustment on initial application of NZ IFRS 17, net of tax	1	-	(825)	-	320	(505)
<b>Restated balance as at 1 January 2022<sup>1</sup></b>		<b>23,648</b>	<b>19,137</b>	-	<b>320</b>	<b>43,105</b>
<b>Net of income tax:</b>						
Profit for the year		-	(3,881)	-	-	(3,881)
Other comprehensive income		-	-	(108)	(169)	(277)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(3,881)</b>	<b>(108)</b>	<b>(169)</b>	<b>(4,158)</b>
Head office transfers		(13,475)	-	-	-	(13,475)
<b>Total transactions with owners</b>		<b>(13,475)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,475)</b>
<b>At 31 December 2022</b>		<b>10,173</b>	<b>15,256</b>	<b>(108)</b>	<b>151</b>	<b>25,472</b>

The statement of changes in equity is to be read in conjunction with the notes to the financial statements on pages 12 to 48.

<sup>1</sup> The statement of changes in equity has been retrospectively restated as a result of the adoption of NZ IFRS 17 Insurance Contracts.

## Statement of Financial Position

As at 31 December 2023

		2023	31 December 2022	1 January 2022
	Note	\$000	Restated <sup>1</sup> \$000	Restated <sup>1</sup> \$000
<b>Assets</b>				
Cash and cash equivalents	17	31,924	68,787	45,524
Reinsurance contract assets	13	62,907	87,867	64,447
Other assets	11	32,656	38,744	32,881
Investment assets		-	-	44,965
Deferred tax assets	10	738	2,366	1,285
Current tax assets		2,387	228	239
<b>Total assets</b>		<b>130,612</b>	<b>197,992</b>	<b>189,341</b>
<b>Liabilities</b>				
Other liabilities		48,862	95,900	79,714
Insurance contract liabilities	13	54,327	76,620	66,522
<b>Total liabilities</b>		<b>103,189</b>	<b>172,520</b>	<b>146,236</b>
<b>Net assets</b>		<b>27,423</b>	<b>25,472</b>	<b>43,105</b>
<b>Head office account</b>				
Head office transfers		10,173	10,173	23,648
Retained earnings		17,228	15,256	19,139
Other reserves		22	43	318
<b>Head office account</b>		<b>27,423</b>	<b>25,472</b>	<b>43,105</b>

The statement of financial position is to be read in conjunction with the notes to the financial statements on pages 12 to 48.

<sup>1</sup> The statement of financial position has been retrospectively restated as a result of the adoption of NZ IFRS 17 Insurance Contracts.

## Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 \$000	2022 restated <sup>1</sup> \$000
<b>Cash flows from operating activities</b>			
Premiums received		23,175	30,462
Claims paid		(29,718)	(27,585)
Outwards reinsurance paid		(21,992)	(21,129)
Reinsurance and other recoveries received		36,302	2,384
Acquisition costs paid		(1,169)	(2,846)
Intercompany amounts (paid)/received		(40,952)	(3,152)
Other expenses paid		(2,695)	(604)
Income taxes (paid)/received		(2,206)	333
Interest received		2,887	1,640
Foreign exchange losses		(496)	(1,174)
<b>Net cash outflows from operating activities</b>	<b>17(b)</b>	<b>(36,863)</b>	<b>(21,671)</b>
<b>Cash flows from investing activities</b>			
Net payments from trading of investments		-	44,934
<b>Net cash inflows from investing activities</b>		<b>-</b>	<b>44,934</b>
<b>Cash flows from financing activities</b>			
Dividends paid		-	-
<b>Net cash outflows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(36,863)</b>	<b>23,263</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>68,787</b>	<b>45,524</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>17(a)</b>	<b>31,924</b>	<b>68,787</b>

The statement of cash flows is to be read in conjunction with the notes to the financial statements on pages 12 to 48.

<sup>1</sup> The statement of cash flows have been retrospectively restated as a result of the adoption of NZ IFRS 17 Insurance Contracts.

## Notes to the Financial Statements

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## 1. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Allianz Australia Insurance Limited is a company domiciled in Australia and operates a branch in New Zealand, Allianz Australia Insurance Limited - New Zealand Branch (the "NZ Branch"), and its ultimate parent entity is Allianz SE, incorporated in Germany. This financial report includes the financial statements of the NZ Branch as an individual entity, for the year ended 31 December 2023.

The NZ Branch is a for-profit entity and its principal activity during the course of the reporting period was that of the provision of general insurance services.

The NZ Branch's registered office is:

C/- Bell Gully, 48 Shortland Street,  
Auckland 1140,  
New Zealand.

These general purpose financial statements were authorised by the Board of Directors for issue on the date of this report. The Directors have the power to amend and reissue the financial statements.

### (a) Basis of preparation

#### (i) Statement of compliance

The financial statements are a general purpose report which has been prepared in accordance with Generally Accepted Accounting Practices in New Zealand ("NZ GAAP").

These financial statements of the NZ Branch also comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

#### (ii) New and amended accounting standards adopted

The NZ Branch has adopted NZ IFRS 17 Insurance Contracts ("NZ IFRS 17"), including any consequential amendments to other standards, from 1 January 2023. As a result, the NZ Branch has restated certain comparative amounts and balances as at 1 January 2022 and for the year ended 31 December 2022. The key changes from adopting NZ IFRS 17 are set out below.

NZ IFRS 17 Insurance Contracts introduces a building block approach ("BBA") that measures insurance contracts based on the fulfilment cash flows (present value of estimated future cash flows with a provision for risk) and the contractual service margin (the unearned profit that will be recognised over the coverage period), and a simplified measurement model (the premium allocation approach or "PAA") which is permitted in certain circumstances. The NZ Branch has adopted the PAA for all issued policies and for all reinsurance contracts held.

The NZ Branch adopts the PAA for most portfolios of contracts issued as the coverage period of each contract in the group of contracts are predominately one year or less in duration. Where this criterion is not met, quantitative assessments have been performed, and it was determined that measurement of the liability for remaining coverage ("LRC") for those groups of contracts using the PAA would not materially differ from the BBA.

The NZ Branch has applied a full retrospective approach to the extent practicable where there was reasonable information available for the contracts in force and as at 1 January 2022, the NZ Branch has:

- identified, recognised and measured each group of insurance and reinsurance contracts as if NZ IFRS 17 had always been applied; and
- derecognised previously reported balances that would not have existed if NZ IFRS 17 had always been applied. These balances include some deferred acquisition costs for insurance contracts and related to the acquisition of insurance contracts; and
- recognised resulting net differences in opening equity.

The exceptions applied by the NZ Branch from utilising the fully retrospective approach are for historical 'locked in' discount rates for groups of contracts with claims incurred prior to 1 January 2014, due to rates not being available for that period without undue cost and effort involved. As per transitional provisions permitted by NZ IFRS 17 Appendix C, the fair value approach has been adopted for these groups of contracts, with a cumulative other comprehensive income balance of nil at 1 January 2022.

The NZ Branch has applied the transition provisions in NZ IFRS 17 Appendix C and has not disclosed the impact of the adoption of NZ IFRS 17 on each financial statement line item. The effects of adopting NZ IFRS 17 on the financial statements are presented in the statement of changes in equity.

**1. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(a) Basis of preparation (continued)**

**(iii) New standards and interpretations not yet adopted**

As at the date of this financial report, there are no new or revised accounting standards published by the IASB that will be mandatory in future financial years or result in significant change in the accounting policies of NZ Branch.

**(iv) Basis of measurement**

These financial statements are prepared under the historical cost basis, as modified by certain exceptions noted in the financial statements. The principal exception being the measurement of financial assets designated at FVTPL or FVOCI. The NZ Branch measures insurance contracts based on the PAA.

**(v) Critical accounting estimates and judgements**

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the NZ Branch's accounting policies. The areas involving a higher degree of judgement or complexity, or in areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 6 and 7.

**(vi) Comparatives**

Certain items have been reclassified from the NZ Branch's prior year financial statements to conform with the current year's presentation. Current year presentation includes the application of NZ IFRS 17 for the first time.

**(b) Recognition and measurement of insurance contracts**

**(i) Recognition and derecognition of insurance contracts**

The NZ Branch aggregates insurance contracts into groups for measurement purposes where they are subject to similar risk profiles and are managed together as a portfolio of contracts. The insurance contracts are categorised based on reasonable and supportable information that determine the profitability of the contracts as follows:

- a group of contracts that are onerous on initial recognition;
- a group of contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort if any.

The NZ Branch assesses whether, based on the guidance of NZ IFRS 17, insurance contracts contain components that should be separated and accounted for under another Accounting Standard. NZ IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated applying NZ IFRS 9;
- cash flows relating to distinct investment components where it is not highly interrelated to the insurance components; and
- promises to transfer distinct goods or distinct non-insurance services applying NZ IFRS 15 Revenue from Contracts with Customers ("NZ IFRS 15").

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

An insurance contract issued by the NZ Branch is recognised from the earliest of:

- the beginning of the coverage period of the group of contracts
- the date of when the first payment from the policyholder becomes due (or if there is no contractual due date, the first payment from the policyholder is deemed to be due when it is received); or
- when facts and circumstances indicate that the contract is onerous.

The NZ Branch recognises insurance contracts in the reporting period by adding this into an existing group of contracts, or it is added into a new group of contracts to where future contracts will be added.

A group of reinsurance contracts held that is held to mitigate the losses of separate insurance contracts is recognised at the earlier of:

- the beginning of the coverage period of the group;
- the initial recognition of any underlying contract; or
- the date when a group of onerous underlying insurance contracts are recognised

**1. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(b) Recognition and measurement of insurance contracts (continued)**

**(i) Recognition and derecognition of insurance contracts (continued)**

Only contracts that individually meet one of the recognition criteria by the end of the reporting period are included in the groups. The NZ Branch includes existing groups of contracts where new insurance contracts meet one of the recognition criteria above.

When the NZ Branch enters into business combinations, the acquired contracts are assessed as if the NZ Branch had entered into the contracts on the date of the business combination.

**(ii) Modification of insurance contracts**

A contract modification occurs when the parties to the contract agree on changes to the terms of the contract or when the terms of the contract are modified by a change of law or regulation. Exercises of rights included in the original terms of a contract is not considered a modification.

The NZ Branch derecognises the original contract and recognises a new contract, if one of the following conditions are met:

- a) If the modified terms had been included at contract inception:
  - i. the modified contract would have been excluded from the scope of NZ IFRS 17;
  - ii. the modified contract would have separated different components from the host contract than the original contract;
  - iii. the modified contract would have had a substantially different contract boundary; or
  - iv. the modified contract would have been included in a different group of contracts.
- b) the original contract met the definition of an insurance contract with direct participation features but the modified contract does not or vice versa; or
- c) the NZ Branch applied the PAA to the original contract but the modified contract is no longer eligible to apply the PAA or vice versa.

**(iii) Fulfilment cash flows**

The fulfilment cash flows ("FCF") are the current estimates of the future cash flows within the boundary of each of the contracts in a group of contracts. The future cash flows include premiums receivable from policyholders, claim payments, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts. The estimates of future cash flows:

- are based on a probability weighted mean of the full range of possible outcomes;
- reflect the perspective of the NZ Branch, such that the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date; including assumptions at that date about the future

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the time value of money and financial risk. Where the PAA is applied and facts and circumstances do not indicate that the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

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

Risk of the NZ Branch's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The NZ Branch estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

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

**1. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(b) Recognition and measurement of insurance contracts (continued)**

**(iv) Contract boundary**

Cash flows are within the boundary of an insurance contract if they arise from the substantive rights and obligations that exist during the period in which the NZ Branch can compel the policyholder to pay premiums or has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- the NZ Branch has the practical ability to reassess the risks of the policyholder, and as a result, can set a price or level of benefits that fully reflects those risks; or
- both of the following criteria are satisfied:
  - i. the NZ Branch has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract, and as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - ii. the pricing of premiums up to the date when the risks are reassessed does not reflect the risks related to periods after the reassessment date.

When determining the boundaries of the contract, all of the substantive rights that are held by the policyholder shall be considered except for the restrictions that have no commercial substance. Where the NZ Branch adds a new group of contracts, it performs an eligibility assessment to review whether it meets the criteria to apply the PAA.

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

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

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

**(v) Subsequent measurement**

At the end of the reporting period, the NZ Branch remeasures the loss component on onerous contracts and considers whether facts and circumstances indicate other groups of contracts have become onerous.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- the LRC; and
- the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- increased for premiums received in the period;
- decreased for insurance acquisition cash flows paid in the period;
- decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period; and
- increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, on initial recognition, the NZ Branch measures the remaining coverage of the amount of ceding premiums paid. The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- the remaining coverage comprising of premiums received in the period, and
- the reinsurance of incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

**1. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(b) Recognition and measurement of insurance contracts (continued)**

**(v) Subsequent measurement (continued)**

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- increased for ceding premiums paid in the period; and
- decreased for reinsurance acquisition cash flows received in the period;
- increased for the earning of reinsurance acquisition cash flow in the period recognised as reinsurance income within the next (expense)/income from reinsurance contracts held; and
- decreased for the amounts recognised as expenses for coverage received in the period.

The NZ Branch does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as the NZ Branch:

- i. has adopted the option under the PAA to not recognise a financing component on contracts where insurance premiums are due within one year or less of providing the related insurance service; and
- ii. has assessed that any financing components where insurance premiums are due more than one year apart from the related insurance service are not material.

For contracts measured under the PAA, the liability for incurred claims ("LIC") is measured similarly to the LIC's measurement under the BBA. Future cash flows are adjusted for the time value of money since insurance contracts that are issued by the NZ Branch and measured under the PAA often have a settlement period of over one year. The NZ Branch has not adopted the option of recording claims with a settlement period of less than one year on an undiscounted basis.

Where facts and circumstances indicate that a group of contracts has become onerous, the NZ Branch increases the carrying amount of the LRC to the amounts of the FCF determined under the BBA with the amount of such an increase recognised immediately in insurance service expenses.

Subsequently, the NZ Branch remeasures the loss component each period based upon current estimates of fulfilment cash flows compared to current carrying amount of LRC with the change in estimate recorded in insurance service expenses. The loss component is reduced to zero when either the fulfilment cash outflows are less than the carrying value of LRC (i.e. the group of contracts is no longer onerous) or the coverage period for the group of contracts has fully expired.

**(c) Insurance revenue**

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

Direct insurance revenue comprise amounts charged to policyholders or other insurers and excludes fire and emergency services levies, but exclude stamp duties, goods and services tax ("GST") and other amounts collected on behalf of third parties. Premium on unclosed business is brought to account by reference to historical trends to account for business that has been written at the balance date, but not yet processed, with due allowance for any changes in the pattern of new business and renewals as at period end.

For groups of insurance contracts measured under the PAA, the NZ Branch recognises insurance revenue (excluding any investment component) based on the passage of time unless the expected pattern of release of risk is significantly different in which case revenue is recognised based upon the expected timing of incurred insurance service expenses.

**(d) Net recoveries and reinsurance expense from reinsurance contracts held**

The NZ Branch presents financial performance of groups of reinsurance contracts held on a net basis in the statement of profit or loss, comprising the following amounts:

- cost of reinsurance expenses;
- recovery of incurred claims;
- receipt and payment of reinsurance commissions;
- other directly attributable reinsurance service expenses incurred;
- effect of changes in risk of reinsurer non-performance;
- changes relating to past service (i.e. adjustments to incurred claims).

**1. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(d) Net recoveries and reinsurance expense from reinsurance contracts held (continued)**

For groups of reinsurance contracts held measured under the PAA, the NZ Branch recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts. If the expected pattern of release of risk during the coverage period significantly differs from the passage of time, then the reinsurance expense is recognised on the basis of expected timing of incurred insurance service expenses recovered under the reinsurance contract held.

**(e) Insurance service expenses**

Insurance service expenses arising from insurance contracts are recognised in the statement of profit or loss as they are incurred and include the following:

- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses incurred;
- amortisation of insurance acquisition cash flows;
- changes that relate to past service (i.e. changes in the FCF relating to the LIC); and
- changes that relate to future service (i.e. losses on onerous groups of contracts from changes in the loss components or reversals of such losses).

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time or, where it differs significantly, the expected pattern of release of risk. Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

**(f) Insurance finance income or expense**

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

- time value of money and changes in the time value of money; and
- financial risk and changes in assumptions that relate to financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are the interest accreted on the LIC.

The NZ Branch has adopted an accounting policy choice to disaggregate the insurance finance income or expenses for the period such that the effects of changes in interest rates and other financial assumptions are shown in other comprehensive income ("OCI"). The NZ Branch separately disaggregates the finance income or expenses arising from the risk adjustment for non-financial risk, and a systematic allocation is applied to allocate finance income or expenses arising from future cash flows.

For the contracts measured under the PAA, the NZ Branch disaggregates all insurance finance income or expenses for the period between OCI and profit or loss. Amounts are recognised in profit or loss using:

- for groups of contracts applying the PAA (i.e. all issued contracts and most reinsurance contracts held) using discount rates determined at the date of the incurred claims.

**(g) Investment income**

Investment income includes income from investing activities including interest income, and realised and unrealised gains and losses.

**(h) Other income**

Other income includes interest income from finance loans and service fee revenue from insurance related management services provided to third parties and is brought to account in accordance with the requirements of NZ IFRS 15.

**(i) Liability for incurred claims**

Claims expense and the liability for incurred claims are recognised in respect of direct insurance, discontinued (run-off) insurance portfolios including asbestos-related claims, and inwards reinsurance business. The liability covers claims reported but not yet paid, incurred but not reported claims ("IBNR") and the anticipated direct and indirect costs of settling those claims. The liability for incurred claims are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. IBNRs and settlement costs are calculated using statistical techniques and actuarial assessment of past experience and trends together with the assessment of likely future developments.

**1. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(i) Liability for incurred claims (continued)**

Long-tail claims relate to classes of insurance business where notice of a claim may not be received for many years or claims may be outstanding for long periods before they are settled. Often these long tail claims are associated with protracted legal proceedings to apportion liability and to establish the value of losses incurred.

The liability for incurred claims were established by the Directors based on estimates of the ultimate liability which were calculated by the NZ Branch's Appointed Actuary. The estimates of the ultimate liability were based on analysis of past numbers of claims and amounts of claim payments. The estimates include allowance for IBNR claims and for anticipated future inflation of claim costs, with an additional risk adjustment to reflect the compensation we require for bearing the risk arising from the inherent uncertainty in the estimation of the central estimate. This risk adjustment is applied to the liability of incurred claims, net of non-reinsurance recoveries and increases the probability that the liability is adequately provided for.

The details of the amount of risk adjustment applied and the process of determining the risk adjustment is set out in Note 6(f) and Note 13. The liability for incurred claims is measured as the present value of the estimated ultimate future direct and indirect costs of settling claims. Details of the rates of anticipated future inflation of claim costs and discount applied are set out in Note 6(c).

**(j) Insurance acquisition cash flows**

Acquisition costs are incurred in obtaining and recording policies of insurance. They include commission or brokerage paid to agents or brokers for obtaining business for the insurer, selling and underwriting costs such as advertising and risk assessment, the administrative costs of recording policy information and premium collection costs.

The NZ Branch includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

- costs directly attributable to individual contracts and groups of contracts; and
- costs that are not directly linked to individual contracts but directly attributable to the portfolio, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

The NZ Branch applies a systematic method to allocate insurance acquisition cash flows to groups of insurance contracts including, where appropriate, to groups that include contracts that are expected to arise from renewals of the contracts in that group.

The NZ Branch applies two levels of deferrals for insurance acquisition cash flows. Cash flows allocated to recognised groups of contracts are included in the measurement of the LRC for that group. These deferred acquisition costs ("DAC") are also referred to as in-coverage DAC.

Where insurance acquisition cash flows are paid by the NZ Branch before the related group of insurance contracts is recognised (for example, cash flows relating to expected future renewals of existing contracts), an asset is recognised by the NZ Branch for each group of insurance contracts. The asset in this second level of deferral is referred to as an asset for insurance acquisition cash flows or as pre-coverage DAC.

Where expected contract renewals turn into insurance contracts, the pre-coverage DAC is derecognised either entirely or partially and transferred into in-coverage DAC and included in the contractual cash flows for that group of contracts containing the renewals. At the end of the reporting period, the NZ Branch assesses the recoverability of the asset and recognises an impairment loss where facts and circumstances indicate the asset may be impaired. If an impairment is identified by the NZ Branch, the carrying amount of the asset is adjusted and an impairment loss is recognised in the statement of profit or loss.

**(k) Risk adjustment for non-financial risk**

The risk adjustment for non-financial risk is applied using a cost of capital approach. It reflects the compensation that the NZ Branch requires for bearing the uncertainty about the amounts and timing of cash flows. The overall risk adjustment was calculated at the NZ Branch level and then allocated to each group of contracts in accordance with their risk profiles. The overall risk adjustment allows for diversification benefits between the NZ Branch groups of contracts as well as a group diversification factor that reflects diversification benefits arising across the Allianz SE Group. The risk adjustment allocated to each group of contracts reflects the relative uncertainty of the claims estimates for each group of contracts including the uncertainties relating to actuarial models and assumptions, the quality of underlying data used in the models, the nature of the insurance risks and the impact of exogenous factors such as legislative change.

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

**1. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

**(l) Other assets**

Other assets include finance loans and other receivables provided to or due from third parties. Other assets are carried at cost, and a lifetime ECL is recognised upon initial recognition by applying the simplified approach from NZ IFRS 9. Finance loans are assessed to determine whether there have been significant increases in credit risk since initial recognition for which a lifetime ECL shall be recognised, otherwise a 12-month ECL is recognised. Amounts due from related parties are interest free and repayable at call.

**(m) Non-reinsurance recoveries receivable**

Non-reinsurance recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivables are assessed in a manner similar to the assessment of liability for incurred claims. Recoveries receivables are measured as the present value of the expected future receipts, calculated on the same basis as the liability for incurred claims.

**(n) Fire & emergency services levies**

A liability for fire and emergency services levies is recognised on business written up to the balance sheet date. Levies and charges payable by the NZ Branch are collected on behalf of third parties.

**(o) Financial assets**

The carrying amounts for assets backing insurance liabilities are equal to fair value with movements being recognised in the statement of profit or loss and other comprehensive income. Cash assets and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amount of cash assets and bank overdrafts approximate their fair values. For the purpose of the statement of cash flows, cash includes cash on hand and deposits at call with banks, net of bank overdrafts.

**(p) Financial liabilities**

The NZ Branch recognises financial liabilities at amortised cost. The financial liabilities are measured at FVTPL only where they are held for trading, or otherwise irrevocably designated at FVTPL upon initial recognition. The option to designate a financial liability at FVTPL is permitted where accounting mismatches are significantly reduced, or if a group of financial liabilities and its performance is evaluated on a fair value basis.

**(q) Taxation**

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on the national income tax rate in New Zealand.

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either the accounting profit or loss or taxable profit or loss. The income tax expense or revenue attributable to amounts recognised directly in the head office account is also recognised directly in the head office account. The associated current or deferred tax balances are recognised in these accounts.

The NZ Branch and Allianz New Zealand Limited constitute a group for tax purposes, which allows for the NZ Branch's tax losses to be offset against the taxable income of Allianz New Zealand Limited. The NZ Branch and Allianz New Zealand Limited must maintain a minimum of 66% commonality of ownership to be considered a group for tax purposes. The NZ Branch's tax losses can also be carried forward and offset against future taxable income of the NZ Branch subject to it maintaining shareholder continuity within the entity of at least 49%.

## 2. CORPORATE GOVERNANCE STATEMENT

The NZ Branch is subject to the NZ Branch's corporate governance structure and requirements.

The Board of Directors has adopted a Board Charter, which sets out a description of its key functions and responsibilities. The Charter requires the Board to:

- Establish the fundamental aims of the corporation, set performance goals, approve strategies and any changes to organisation structure and to approve the annual budget;
- Meet Board composition requirements and approve appointments to the Board;
- Approve the appointment, targets and remuneration of the Managing Director and their direct reports;
- Approve actuary and external auditor appointments;
- Consider and approve potential acquisitions;
- Consider and approve material policies;
- Monitor the NZ Branch's financial position against the budget and the strategic plan, consider the Financial Condition Report and approve the NZ Branch's annual financial statements;
- Oversee the NZ Branch's capital adequacy strategy and the NZ Branch's use of an internal model-based method for calculating capital and approve any changes to the Internal Capital Adequacy Assessment Process;
- Oversee significant business risks, including maintaining a Risk Appetite Statement and appropriate risk management policies and procedures;
- Monitor compliance programs;
- Oversee the NZ Branch's work, health and safety policies; and
- Oversee people, culture and remuneration, audit, risk, investment, and technology management issues through delegation to Board committees.

The NZ Branch has six Board appointed committees, these being:

- Audit Committee;
- Risk Committee;
- People, Culture and Remuneration Committee;
- Investment Committee;
- Technology Committee; and
- Nominations Committee

The Board approves a number of policies, including:

- Fit and Proper Policy;
- Remuneration Policy;
- Board Assessment Policy; and
- Outsourcing Policy.

The Directors of the NZ Branch at any time during or since the end of the financial year are as follows:

The names of each person holding the position of Director of Allianz Australia Limited during or since the end of the reporting period are P.J. Dwyer, R.D. Feledy, A.J. Johnson (appointed 6 September 2023), V.A. McFadden, J.F. McAloon, M.J. Hawker, R. Wagner (appointed 15 May 2023), C.G. Townsend, T.K.H. Naumann, J.C. Rosemeyer (appointed 4 September 2023 as alternate director for R. Wagner and C.G. Townsend), P.N.J. Allaway (resigned 1 April 2023), and U. Lange (resigned 18 January 2023).

R. Wagner, T.K.H. Naumann and C.G. Townsend represent the shareholder, Allianz SE that may result in them having significant influence over the financial and operating policies of the NZ Branch.

### **3. RISK MANAGEMENT**

The NZ Branch activities expose it to a variety of material risks, both financial and non-financial. Financial risks include: insurance risk (comprising underwriting risk, product risk, pricing risk, reserving risk and reinsurance risk) and financial risk (comprising, credit risk, market risk, funding and liquidity risk and capital management risk). Non-financial risks include: operational risk, compliance risk, strategic risk, conduct risk and Environmental Social and Governance (ESG) (including climate change risk) and reputation risk.

The NZ Branch maintains various Risk Ownership Frameworks to manage and govern material risk categories, for example the Underwriting Risk Ownership Framework.

The NZ Branch exposure to material risks are detailed below:

#### **(a) Insurance risk**

The NZ Branch seeks to understand and manage insurance risk to minimise potential adverse effects on its financial performance. Insurance risk arises from the inherent uncertainty about the occurrence, amount, or timing of claims therefore models are used extensively to manage insurance risk and they include claims development, catastrophe models, reserving models and pricing models.

##### **(i) Underwriting and concentration risk**

The principal underwriting risk the NZ Branch faces under insurance contracts is that the actual claims and benefits payments differ from expectations. This is influenced by the frequency and severity of claims and is heightened for long-term claims where duration creates increased uncertainty. Expectations are set based on underwriting principles, guidelines and limits that are set in accordance with the NZ Branch's underwriting risk appetite.

The underwriting risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The risk is managed through selection of exposures, implementation of technical underwriting guidelines and technical excellence, a focus on sustainable and profitable business and reinsurance.

Concentration of risk (accumulation risk) may arise where a particular event or series of events could impact heavily upon the NZ Branch. Such concentrations may arise from a single insurance contract or through a number of contracts that become related due to geographic proximity or exposure to a single event. Refer to Note 4(c) for activities undertaken to manage concentration risk.

##### **(ii) Pricing risk**

Pricing risk arises when the NZ Branch does not correctly price its products to cover costs and required profit margin caused by experience emerging differently to assumptions and/or errors are made in the price setting process.

Pricing risk is managed through technical pricing modelling, rate adequacy monitoring, regular portfolio reviews, natural hazard pricing, and other pricing governance activities. Pricing risk is also monitored across the NZ Branch's product portfolio, including measuring set product risk metrics. Oversight is provided by the Product, Underwriting and Pricing Committee.

The NZ Branch has controls in place over the delivery of pricing promises to its customers. This was achieved through the Conduct and Culture Transformation Program and the Risk Maturity and Compliance Transformation Program, where uplifts were made in pricing and product governance including the implementation of Third Party Distribution Risk Governance and Supervisory Frameworks.

##### **(iii) Reserving risk**

Reserving risk is the inherent risk in the estimation of an uncertain series of cashflows coupled with the failure to derive and communicate a reasonable best estimate and distribution of likely liability outcomes. Both outstanding claims and remaining coverage under issued insurance contracts are covered. The objective is to ensure that sufficient reserves are available to cover the expected liabilities based on a best estimate approach, whilst solvency capital is held to protect policyholders where there is an adverse outcome.

Management of reserving risk includes governance and process around the insurance liability valuation including use of approved models, monitoring of portfolio and product loss ratios, review of valuation results and scenario (extreme event) analysis by the Appointed Actuary, with additional oversight provided by the Reserving Committee. Such activities are also undertaken, in accordance with the principles and methodology set out by APRA, and actuarial professional standards.

## 3. RISK MANAGEMENT (CONTINUED)

### (a) Insurance risk (continued)

#### (iv) Reinsurance risk

The NZ Branch could be exposed to unexpected net losses due to inappropriate decisions made on reinsurance purchases, for example incorrect decisions based on models, inability to recover from reinsurers through unclear cover definitions and/or inadequate treaty limits.

The NZ Branch maintains a Reinsurance Management Strategy ("REMS") as required by APRA Prudential Standard GPS 230. The REMS is reviewed annually and approved by the Board.

The NZ Branch selects reinsurance arrangements consistent with commercial and market considerations that will limit its exposure to risk, not exceed its risk appetite level and may be placed on both a proportional and a non-proportional basis. The reinsurance management process models and monitors aggregate exposures (or accumulations) and potential outcomes and confirms that reinsurance arrangements are adequate.

#### (v) Product Risk

Product risks are managed through setting competitive portfolio strategy, consistent with underwriting guidelines and risk appetite, portfolio steering, appropriate design and monitoring of product performance.

### (b) Financial risk

The NZ Branch's overall financial risk management program focuses on the management of the insurance risk and unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

### (c) Credit risk

Credit risk is the risk of loss from a counterparty failing to meet their obligations. The NZ Branch's credit risk arises predominantly from investment, reinsurance, insurance activities and dealings with intermediaries. The maximum exposure to credit risk is the fair value of individual assets. The NZ Branch may hold collateral to mitigate credit risk.

Compliance with investment mandates based on the approved Strategic Asset Allocation and Investment Management Agreement is applied for investments. Credit risk exposures from premium debtors are reported to the Senior Management Team on a regular basis.

Investment credit risk is monitored as part of its investment management process. Exposure to individual third parties as well as the overall creditworthiness of the portfolio is monitored regularly as part of the review of the asset allocation, performance and compliance with investment mandates.

The approach to managing credit risk exposure to reinsurance counterparties is set out in the REMS and includes monitoring and controlling concentration limits for credit risk exposure to reinsurance counterparties.

The table below provides information regarding the credit risk exposure of the NZ Branch by classifying assets according to Standard & Poors (S&P) credit ratings of the counterparties. AAA is the highest possible rating.

### 3. RISK MANAGEMENT (CONTINUED)

#### (c) Credit risk (continued)

	AAA AA+ AA AA-	A+ A A-	Not Rated	Total
	\$000	\$000	\$000	\$000
<b>2023</b>				
Cash and cash equivalents	31,924	-	-	31,924
Reinsurance contract assets	62,822	76	9	62,907
Other assets	-	-	32,656	32,656
Non-reinsurance recoveries	89	-	27	116
<b>Total</b>	<b>94,835</b>	<b>76</b>	<b>32,692</b>	<b>127,603</b>
<b>2022</b>				
Cash and cash equivalents	68,787	-	-	68,787
Reinsurance contract assets	86,616	648	603	87,867
Other assets	-	-	38,744	38,744
Non-reinsurance recoveries	50	80	22	152
<b>Total</b>	<b>155,453</b>	<b>728</b>	<b>39,369</b>	<b>195,550</b>

#### (d) Cash flow & liquidity risk

Cash flow and liquidity risk is mitigated by the NZ Branch through appropriate contingent facilities and ongoing monitoring of liquidity and cash flow requirements performed by Allianz Australia Insurance Limited, which is available to the NZ Branch.

#### Maturity analysis of insurance contract assets and liabilities

31 December 2023	Maturing in:				Total
	1 year or less	1 to 3 years	3 to 5 years	Over 5 years	
	\$000	\$000	\$000	\$000	\$000
Reinsurance contract assets	58,246	4,104	470	87	62,907
Insurance contract liabilities	(50,676)	(3,264)	(327)	(60)	(54,327)
<b>Net discounted cash flows</b>	<b>7,570</b>	<b>840</b>	<b>143</b>	<b>27</b>	<b>8,580</b>

31 December 2022	Maturing in:				Total
	1 year or less	1 to 3 years	3 to 5 years	Over 5 years	
	\$000	\$000	\$000	\$000	\$000
Reinsurance contract assets	84,621	2,126	986	134	87,867
Insurance contract liabilities	(73,565)	(2,186)	(765)	(104)	(76,620)
<b>Net discounted cash flows</b>	<b>11,056</b>	<b>(60)</b>	<b>221</b>	<b>30</b>	<b>11,247</b>

**3. RISK MANAGEMENT (CONTINUED)**

**(d) Cash flow & liquidity risk (continued)**

**Maturity analysis of financial assets and liabilities**

<b>31 December 2023</b>	<b>1 year or less</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	31,924	-	-	-	31,924
Other assets	32,656	-	-	-	32,656
Other liabilities	(48,862)	-	-	-	(48,862)
<b>Net discounted cash flows</b>	<b>15,718</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,718</b>

<b>31 December 2022</b>	<b>1 year or less</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	68,787	-	-	-	68,787
Other assets	38,744	-	-	-	38,744
Other liabilities	(95,900)	-	-	-	(95,900)
<b>Net discounted cash flows</b>	<b>11,631</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,631</b>

**(e) Market risk**

Market risk is the risk of adverse impacts to the NZ Branch's profits due to changes in financial markets, including currency (foreign exchange) risk, interest rate risk and inflation risk. For each type of market risk, a sensitivity analysis explains the relationship between the sensitivities from insurance contracts and those from financial assets.

**(i) Foreign exchange risk**

The NZ Branch's exposure to foreign exchange risk is primarily a result of the foreign branch that operates in Australia. The NZ Branch may enter into forward exchange contracts designed to either hedge some or all of this exposure, or alternatively increase exposure to preferred foreign currencies or markets. Other transactions with offshore entities are denominated in AUD.

**(ii) Interest rate risk**

The NZ Branch exposure to interest rate risk is primarily as a result of fluctuating (levels and shape) yield curves (both changes to nominal and real curves) adversely affect earnings/capital. The investment management mandate allows for the use of interest rate derivatives to manage interest rate exposures with the most commonly used instruments being interest rate futures. To manage its interest rate risk arising from investments in fixed income investments, the NZ Branch sets duration limits and monitors performance regularly.

**(iii) Capital management risk**

The NZ Branch is exposed to capital management risk as a result of not maintaining adequate capital for business continuity and solvency, regulatory and/or management defined capital requirements. Capital management risk also includes the risk of failure to utilise capital for opportunities meeting risk return trade-offs.

The NZ Branch maintains adequate capital in accordance with the Company's Internal Capital Adequacy Assessment Process (ICAAP) which sets out capital targets and triggers, capital monitoring and strategies for accessing additional capital if required. Capital is managed by the NZ Branch to meet regulatory requirements and shareholder needs.

**(iv) Fair value estimation**

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

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The fair value of unlisted funds is based upon independent valuations using a combination of observable or comparable market prices or other valuation techniques.

**3. RISK MANAGEMENT (CONTINUED)**

**(e) Market risk (continued)**

**(v) Sensitivity analysis**

Due to the nature of the financial assets held by NZ Branch, a change in interest rates would not change the value of the carrying amount.

**(vi) Fair value estimation**

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

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The fair value of unlisted funds is based upon independent valuations using a combination of observable or comparable market prices or other valuation techniques.

**(vii) Summarised sensitivity analysis**

The impact of increase/decrease in interest rates on the NZ Branch's post-tax profit for the year. The analysis is based on a scenario where interest rates had increased / decreased by a nominal amount of 1% at year end with all other variables held constant.

**(f) Operational risk**

Operational risk is the risk of errors or unexpected losses resulting from inadequate or failed internal processes and systems, misconduct or human error, or from inadequate response to external events. It is present in all activities of the business.

The management of operational risk is broken down into sub-risks to enable specific allocation of responsibility and ownership appropriately and to utilise relevant expertise across the organisation to design effective controls to be applied consistently to manage common operational risks.

Continuous identification, assessment, reporting, monitoring and testing of key risks and controls is in place to assess whether risks are within acceptable levels and what action, if any, is required to reduce risk that is outside appetite. Incident and issue management processes support continuous improvement to the control environment.

**(g) Compliance risk**

Compliance risk arises where the NZ Branch fails to comply with relevant legislation, regulation and industry codes that could result in loss of operating licence, penalties or brand damage.

Whilst compliance risk is a separate Level 1 category in the NZ Branch's Risk Taxonomy, management of this risk is aligned to processes to manage operational risk and compliance risk is considered as part of business decision making. The NZ Branch maintains a Compliance Risk Framework and manages compliance risk in accordance with this framework.

The NZ Branch adopts a consistent and transparent approach to regulatory compliance and engagement. Operational Compliance Plans (OCPs) are in place to capture regulatory obligations and map to controls that enable and confirm compliance with such obligations.

Periodic review of the OCPs is in place as is monitoring and testing of key controls. A formal process is in place to update for new obligations as they are identified. Regulatory change is proactively managed with appropriate governance and resource to effect required change. The NZ Branch aims to foster respectful and constructive relationships with its regulators.

**(h) Strategic risk**

Strategic risk includes the risk of inappropriate strategy and strategy execution risk, including business plan delivery, that results in a failure to execute on the business strategy or not adapting the strategy to the changes in the external environment. The NZ Branch maintains a Strategic Risk Framework and Strategic risks are managed in accordance with this framework.

The NZ Branch manages its business plan to deliver on its strategy, which is aligned with the strategy for technical excellence for the Allianz SE Property & Casualty segment which links with the management of underwriting risk. It does not pursue business opportunities outside of the core line of business.

**3. RISK MANAGEMENT (CONTINUED)**

**(i) Conduct risk**

Conduct risk is defined as the risk of inappropriate, unethical or unlawful behaviours, or inadequacies in past or current business practices, in the design of the NZ Branch's products, sales practices, customer servicing (including claims and complaints management) leading to unfair customer outcomes.

Conduct risks are identified and minimised to the extent possible through the application of appropriate governance, controls and monitoring of product design indicators, customer servicing standards, customer complaints and the practices of the NZ Branch and third party distribution partners and suppliers.

**(j) Environmental Social and Governance (ESG) risk**

ESG risk is defined as ESG events or conditions which, if they occur, may potentially have significant negative impacts on the assets, profitability or reputation of the NZ Branch (including climate risk). Understanding ESG issues reduces risks and creates opportunities across the NZ Branch's operations including in underwriting, claims and investments.

The NZ Branch is committed to addressing ESG issues in order to make a positive contribution to society and the environment, and views ESG through three pillars of Healthy Planet, Thriving People and Responsible Business.

The NZ Branch manages risks arising from climate change and promotes the transition to a low-carbon economy as well as a reduction in the NZ Branch's environmental impacts. The NZ Branch is also focussed on creating sustainable products and services and supporting communities for example with education relating to natural disaster resilience and recovery, evolving products and solutions to be affordable and accessible to a more diverse range of customers and has a continued focus on following ethical business practices.

**(k) Reputation risk**

Reputation risk is the potential damage to the NZ Branch's reputation arising directly or indirectly from the manifestation of other material risks.

Reputational impact can occur through both direct and indirect impacts from operational risk events and the manifestation of inadequately managing other material risks. Potential issues and risks are identified, managed and monitored in line with Allianz Australia's Reputation Risk policy and RMS to enable appropriate mitigating actions and responses to be prepared and effected.

**4. CAPITAL MANAGEMENT**

**(a) Capital management risk**

The NZ Branch is exposed to capital management risk as a result of not maintaining adequate capital for business continuity and solvency, regulatory and/or management defined capital requirements. Capital management risk also includes risk of failure to utilise capital for opportunities meeting risk return trade-offs.

**(b) Capital management strategy**

The NZ Branch is regulated by the Reserve Bank of New Zealand ("RBNZ"). The capital management strategy plays a central role in managing risk to create shareholder value whilst meeting the objective of providing an appropriate level of capital to protect policyholders' interests and satisfy regulators. Capital finances growth and capital expenditure while providing a buffer against adverse outcomes from insurance and other activities and investment performance.

With the implementation of the Insurance (Prudential Supervision) Act 2010 all general insurance entities carrying on insurance business in New Zealand are required to be licensed by the RBNZ. The Company, Allianz Australia Insurance Limited was granted a licence on 1 January 2013 by the RBNZ as required by the Insurance (Prudential Supervision) Act 2010. The NZ Branch has been granted exemptions from lodgement of half year interim financial statements and half yearly and yearly solvency returns. The NZ Branch's reporting obligations to the RBNZ have been satisfied by submissions to the RBNZ of the Company's and Parent Company's returns as submitted to the Australian Prudential Regulation Authority ("APRA").

Allianz Australia Insurance Limited is licensed by APRA and subject to prudential standards. The Company has in place an Internal Capital Adequacy Assessment Process ("ICAAP") in accordance with GPS 110 Capital Adequacy ("GPS 110"). The ICAAP outlines the policies and procedures in place to manage and maintain an adequate level of capital in line with the risks accepted and the Company's risk appetite.

The capital management strategy plays a central role in managing risk to create shareholder value whilst meeting the objective of providing an appropriate level of capital to protect policyholders' interests and safety regulators. Capital finance growth and capital expenditure while providing a buffer against adverse outcomes from insurance and other activities and investment performance.

Since 31 March 2010, APRA has also required that the capital calculations are made for the Level 2 Group. This Level 2 Group includes all entities within the Company.

Consideration is given to the operational capital needs of the Company. The Company's capital objective is to target a capital buffer above the minimum prudential regulatory requirement (PCR) which aims to ensure the ongoing strength and security of the Company thereby protecting policyholders. This capital buffer is defined as a multiple of the PCR.

The capital objective is achieved through management of the Company's assets and liabilities and the corresponding consumption of capital, as well as the use of a risk-based adequacy framework that relies on explicit quantification of uncertainty or risk and the use of internal modelling techniques. Scenario analysis and stress testing are used to provide insights into the organisation's exposure to risk and improve management's ability to develop risk mitigation and contingency planning. They are also used as an input to establishing Allianz Australia's risk appetite, capital targets and triggers, and Recovery Plan.

The NZ Branch is not rated by an external ratings agency but the Company has a Standard and Poor's rating of AA-.

# Notes to the Financial Statements

For the year ended 31 December 2023



## 4. CAPITAL MANAGEMENT (continued)

### (c) Regulatory capital compliance

The entity's reporting obligations to the RBNZ have been satisfied by submissions to the RBNZ of the Company's and Parent Company's APRA returns. Set out below is the Company's APRA regulatory capital base and prescribed capital amount as well as the corresponding RBNZ terms as at 31 December 2023.

	2023 AUD \$000	2023 NZD \$000
<b>Statutory capital of Allianz Australia Insurance Limited</b>		
<b>Common equity tier 1 capital</b>		
Ordinary shares	2,085,307	2,247,357
Retained earnings	1,550,103	1,670,562
Disclosed reserves	(87,827)	(94,652)
Net (deficit)/surplus relating to insurance liabilities (net of tax)	(141,759)	(152,775)
Regulatory adjustments for non-allowable assets	(1,023,455)	(1,102,988)
<b>Total common equity tier 1 capital</b>	<b>2,382,369</b>	<b>2,567,504</b>
<b>Total regulatory capital</b>	<b>2,382,369</b>	<b>2,567,504</b>
<b>Prescribed capital amount</b>		
Insurance risk charge	959,677	1,034,254
Insurance concentration risk charge	240,000	258,650
Diversified asset risk charge	679,007	731,772
Operational risk charge	236,556	254,938
Aggregation benefit	(386,668)	(416,716)
Adjustments to prescribed capital amount as approved by APRA	(86,429)	(93,145)
<b>Prescribed capital amount</b>	<b>1,642,143</b>	<b>1,769,753</b>
<b>Solvency margin</b>	<b>740,226</b>	<b>797,751</b>
<b>Capital adequacy multiple</b>	<b>1.45</b>	<b>1.45</b>
	2022 <sup>1</sup>	2022 <sup>1</sup>
	AUD	NZD
	\$000	\$000
<b>Statutory capital of Allianz Australia Insurance Limited</b>		
<b>Common equity tier 1 capital</b>		
Ordinary shares	2,085,307	2,236,033
Retained earnings	1,257,393	1,348,277
Disclosed reserves	(35,916)	(38,512)
Technical provision in excess of liability valuation (net of tax)	175,505	188,191
Regulatory adjustments for non-allowable assets	(1,331,818)	(1,428,082)
<b>Total common equity tier 1 capital</b>	<b>2,150,471</b>	<b>2,305,907</b>
<b>Total regulatory capital</b>	<b>2,150,471</b>	<b>2,305,907</b>
<b>Prescribed capital amount</b>		
Insurance risk charge	796,216	853,766
Insurance concentration risk charge	200,000	214,456
Diversified asset risk charge	645,865	692,548
Operational risk charge	223,188	239,320
Aggregation benefit	(350,974)	(376,342)
Adjustments to prescribed capital amount as approved by APRA	(151,430)	(162,375)
<b>Prescribed capital amount</b>	<b>1,362,865</b>	<b>1,461,373</b>
<b>Solvency margin</b>	<b>787,606</b>	<b>844,534</b>
<b>Capital adequacy multiple</b>	<b>1.58</b>	<b>1.58</b>

<sup>1</sup> Balances as at 31 December 2022 have not been restated and are based on the capital position per the APRA Prudential Standards.

## **5. INSURANCE CONTRACTS – RISK MANAGEMENT POLICIES AND PROCEDURES**

### **(a) Risk management objectives and policies for mitigating insurance risk**

Short-term variability is a feature of insurance business. The NZ Branch has an objective to manage insurance risk, reduce the risk to policyholder security, and manage the resulting volatility on operating profits, in order to manage the level of capital that the NZ Branch requires.

In accordance with CPS 220 *Risk Management* (CPS 220) and GPS 230 *Reinsurance Management* (GPS 230) issued by APRA, Allianz Australia Limited and its controlled entities has in place a sound and prudent Risk Management Framework (“RMF”). This RMF includes a Risk Management Strategy (“RMS”) and a Reinsurance Management Strategy (“REMS”).

The RMF provides a basis to ensure that the NZ Branch manages its risks in relation to its obligations to the Reserve Bank of New Zealand under s.73(1) and s.73(2) of the Insurance (Prudential Supervision) Act 2010 (‘the Act’).

The RMF, RMS and REMS identify the policies, procedures, processes and controls that the NZ Branch utilises to address material risks, financial and non-financial, that are likely to face the organisation. Annually, the Board certifies to APRA that these strategies are appropriate and that it has satisfied itself as to the level of compliance with the RMS and REMS.

Key aspects of the activities established to mitigate risks include the following:

- Professional actuarial services are used to assess outstanding liabilities for incurred claims, liabilities for remaining coverage and for premium to be charged. Actuarial models, using information from the management information systems, past experience and assessments of likely future developments are used to calculate premiums and monitor claims patterns.
- The underwriting approach seeks to ensure a portfolio of diverse risks is maintained with a balance between long-tail and short-tail classes. This strategy is cascaded down to individual underwriters through detailed underwriting authorities. Independent underwriting reviews are carried out to ensure compliance with the strategy.
- Reinsurance is used to limit the NZ Branch’s exposure to large single claims and catastrophes. The NZ Branch purchases a combination of proportional and non-proportional reinsurance treaties and employs facultative reinsurance as necessary. When selecting a reinsurer only those companies that provide high security are considered.
- The mix of investments is linked to the nature and term of the insurance liabilities. The management of assets and liabilities is monitored with assets invested by reference to the cash flow and duration of insurance liabilities.

### **(b) Terms and conditions of insurance contracts**

Insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage to his or her own property, legal liability to others and business interruption arising from this damage. The return to shareholders arises from the total premiums charged to policyholders less the amounts paid to cover claims, the expenses incurred in administering these functions and the investment return achieved from these cash flows

The risk and premium required on any policy will vary according to many factors such as location, safety measures in place and age of property. Terms and conditions are attached to insurance contracts considering these variables, with the premium charged reflecting the appetite for insurance risk accepted and the required return to shareholders.

The majority of direct insurance contracts written are entered into on a standard form basis. The terms and conditions of insurance contracts issued are subject to periodic review under the NZ Branch’s product and pricing governance framework.

### **(c) Concentrations of insurance risks**

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the NZ Branch’s assets. Such concentrations may arise from a single insurance contract or through a number of contracts that become related due to geographic proximity or exposure to a single event.

The NZ Branch has processes in place to monitor its aggregate exposure position and to model the risk posed by exposure concentrations to the Statement of Financial Position. These processes ensure that exposures remain diversified and that reinsurance arrangements are adequate.

**5. INSURANCE CONTRACTS – RISK MANAGEMENT POLICIES AND PROCEDURES (CONTINUED)**

**(d) Interest rate risk**

Insurance and reinsurance contracts issued are generally annually renewable, contain conditions which are negotiable, but do not contain conditions that expose the NZ Branch directly to interest rate risk. The NZ Branch's exposure to interest rate risk mostly arises from the valuation of the liability for incurred claims, with the asset and liability matching conducted to reduce exposure to interest rate fluctuations. Further detail is provided in Note 3(e)(ii).

**(e) Credit risk**

The NZ Branch is exposed to credit risk on insurance contracts as a result of exposure to individual reinsurers. The credit risk to reinsurers is managed through the global Allianz Group having a pre-determined policy on the appropriate rating a reinsurer must have to participate on the insurer's reinsurance program.

The NZ Branch's policy is not to accept reinsurers with the following S&P (or equivalent A.M. Best) ratings:

- Less than "A-" for short-tail classes.
- Less than "A+" for long-tail classes.

All reinsurance arrangements carry a downgrade clause providing the NZ Branch with the option to immediately replace any reinsurer with an S&P rating that falls below predetermined minimum levels. An exception to this may be made in relation to reinsurance counterparties that are part of the Allianz SE Group, for whom the downgrade clause is not always included.

An exception may also be made in those instances when the NZ Branch obtains the permission of the Allianz SE Group Security Vetting Team to use a reinsurer outside of the NZ Branch policy.

**6. ACTUARIAL ASSUMPTIONS AND METHODS**

**(a) Actuarial information**

Timothy Clark is the Appointed Actuary for the Company and the NZ Branch. The liability for incurred claims disclosed have been calculated in accordance with the New Zealand Society of Actuaries Professional Standard No. 30 "Valuations of General Insurance Claims". The effective date of the Appointed Actuary's advice is 31 December 2023.

The Appointed Actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the liability of incurred claims, and there were no qualifications contained in the actuarial advice. The key assumptions used in the compilation of the reserves as at 31 December 2023 are outlined below.

**(b) Actuarial methods**

The NZ Branch manages a wide range of insurance risks including both short-tail classes and long-tail classes.

The most significant classes of business, as determined by the size of the liability for incurred claims and divided between short-tail and long-tail are:

**Short-tail classes**

Commercial motor vehicle  
Domestic buildings and contents  
Commercial property  
Travel

**Long-tail classes**

Public and products liability  
Professional indemnity

The methods used for the estimation of the liability for incurred claims estimates vary across classes depending upon available data, format of the data, appropriateness of the method to that class of business and the underlying type of claims. The methods can be summarised into the following groups of portfolios.

**(i) Short-tail classes**

These portfolios contain claims that are typically reported and settled within one year of being incurred. At least two actuarial methods are used to estimate the liability for incurred claims with the final estimate being based on actuarial judgement. For these classes, the liability for incurred claims are typically heavily reliant on the level of case reserves with allowance for incurred but not reported ("IBNR") and incurred but not enough reported ("IBNER") claims based on the expected pattern of claims development. Claims inflation is incorporated into the resulting projected payments for each portfolio, either implicitly or explicitly, depending on the actuarial method used. Projected payments are discounted to allow for the time value of money.

**6. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)**

**(b) Actuarial methods (continued)**

**(i) Short-tail classes (continued)**

Exposure-based estimation techniques were used to determine the ultimate cost of COVID-19 claims and estimates have been adjusted in light of legal developments and claims experience emerging during the year.

**(ii) Long-tail classes**

These portfolios contain claims that are typically reported and settled more than one year after being incurred. A range of actuarial methods are used with at least two different methods being applied to most portfolios. Apart from latent claims, for recent accident years, the estimates of liability for incurred claims are derived principally from methods that project ultimate claim numbers and average claim sizes or project incurred claims based on the initial estimate of losses.

Claims inflation is incorporated into the resulting projected payments for each portfolio, to allow for both general economic inflation as well as any superimposed inflation anticipated in the modelling of payments experience. Superimposed inflation arises from non-economic factors such as developments of legal precedent. Some methods applied do not make specific allowance for inflation but are included implicitly in other assumptions. Projected payments are discounted to allow for the time value of money.

**(c) Actuarial assumptions**

Disclosure of all assumptions is impractical due to the large number of separate portfolio valuations carried out. The following actuarial assumptions have been made in determining the liability for incurred claims and are generally common across portfolios.

	2023 Short-tail	2023 Long-tail	2022 Short-tail	2022 Long-tail
Average weighted term to settlement (years)	0.13	0.24	0.27	3.44
Claims handling expenses (net of reinsurance)	5.16%	12.20%	9.74%	4.33%
Discount rate	5.87%	9.38%	5.38%	4.66%
Economic inflation rate	2.50%	3.50%	2.50%	3.50%

**Discount rates**

	2023 New Zealand NZD	2022 New Zealand NZD
1 Year	5.88%	6.21%
5 Years	4.71%	5.55%
10 Years	4.79%	5.50%
20 Years	5.02%	5.58%
30 Years	4.77%	5.31%

**Illiquidity adjustments**

	2023 New Zealand NZD	2022 New Zealand NZD
1 Year	0.68%	0.77%
5 Years	0.69%	0.78%
10 Years	0.69%	0.78%
20 Years	0.69%	0.78%
30 Years	0.60%	0.75%

**(d) Process used to determine assumptions**

**(i) Average weighted term to settlement**

Average weighted term to settlement is calculated by class of business and is based on historic payment patterns.

**(ii) Claims handling expenses**

An activity-based costing approach has been adopted, with loadings varying by class of business gross of reinsurance recoveries but net of non-reinsurance recoveries.

**6. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)**

**(d) Process used to determine assumptions (continued)**

**(iii) Discount rate**

Discount rates are determined as at the balance date using a bottom up approach utilising market based NZD swap rates (adjusted for credit risk) to derive a basic risk free curve and adding an illiquidity adjustment that reflect differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market and the liquidity characteristics of the insurance contracts.

**(iv) Economic inflation rate**

Economic inflation assumptions are set by reference to current economic indicators and consideration of historical rates of inflation.

**(v) Superimposed inflation**

Superimposed inflation occurs due to non-economic effects such as court settlements increasing at a faster rate than wage inflation. An allowance for superimposed inflation was made for each underlying model, where appropriate, after considering both superimposed inflation based on past experience particularly in the longer term and industry superimposed inflation experience.

**(e) Sensitivity analysis – insurance contracts**

**(i) Summary**

The NZ Branch conducts sensitivity analyses to quantify the exposure to risk of changes in the key variables. The actuarial valuations of liability for incurred claims included in the reported results are calculated using certain assumptions about these variables. The movement in any key variable will impact the performance and equity of the Consolidated Entity. The tables below describe how a change in each assumption will affect the insurance liabilities and show an analysis of the sensitivity of the profit or loss and equity to changes in these assumptions both gross and net of reinsurance.

<b>Variable</b>	<b>Impact of movement</b>
Average weighted term to settlement	Expected payment patterns are used in determining the liability for incurred claims. A decrease in the average term to settlement would lead to claims being paid sooner than anticipated.
Discount rate	The liability for incurred claims is calculated by reference to expected future payments. The payments are discounted to adjust for the time value of money, using an acciden locked in discount rate at the date of loss, with the Company electing to present the effects of changes in current discount rates during the year through other comprehensive income. An increase or decrease in the current discount rate would have a corresponding impact on finance (expense) /income within other comprehensive income.
Economic and superimposed inflation rate	Expected future payments are inflated to take account of anticipated future inflationary increases. In addition to the general economic inflation rate, an amount is superimposed to take account of non-economic inflationary factors, such as increases in court awards. Such rates of superimposed inflation are specific to the model adopted. An increase in claim inflation will increase the provision for the liability for incurred claims. An increase or decrease in the assumed levels of either economic or superimposed inflation would have a corresponding impact on claims expense, with particular reference to longer tail business.
Claims handling expenses	An estimate for the internal costs of handling claims is included in the liability for incurred claims. An increase or decrease in the expense rate assumptions would have a corresponding impact on the claims expense.
Risk adjustment for non-financial risk	The risk adjustment for non-financial risk reflects the uncertainty of the amounts and timing of cashflows on insurance contracts and is included within the liability for incurred claims. This risk adjustment is determined using the Cost of Capital (“CoC”) approach. An increase or decrease in the CoC rate would have a corresponding impact on the claims expense and liability for incurred claims.

**6. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)**

**(e) Sensitivity analysis – insurance contracts (continued)**

**(ii) Impact of changes in key variables**

The table below summarises the sensitivity of the profit/(loss) and the head office account to changes in key variables.

**2023**

	Movement in variable	Impact on profit/(loss) before tax \$000 Gross	Impact on profit/(loss) before tax \$000 Net	Impact on Head Office Account \$000 Gross	Impact on Head Office Account \$000 Net	Impact on OCI \$000 Gross	Impact on OCI \$000 Net
<b>Short-tail</b>							
Average weighted term to settlement	+0.5 year	1,209	181	871	130	-	-
	-0.5 year	(532)	(50)	(383)	(36)	-	-
Claims handling expenses	+100 bps	(427)	(315)	(308)	(226)	-	-
	-100 bps	427	315	308	226	-	-
Discount rate	+100 bps p.a.	-	-	63	6	88	8
	-100 bps p.a.	-	-	(64)	(6)	(89)	(8)
Economic inflation rate	+100 bps p.a.	(93)	(9)	(67)	(6)	-	-
	-100 bps p.a.	94	9	67	6	-	-
Risk adjustment for non financial risk	+100 bps p.a.	32	8	23	5	-	-
	-100 bps p.a.	(32)	(8)	(23)	(5)	-	-

	Movement in variable	Impact on profit/(loss) before tax \$000 Gross	Impact on profit/(loss) before tax \$000 Net	Impact on Head Office Account \$000 Gross	Impact on Head Office Account \$000 Net	Impact on OCI \$000 Gross	Impact on OCI \$000 Net
<b>Long-tail</b>							
Average weighted term to settlement	+0.5 year	339	6	244	4	-	-
	-0.5 year	(253)	(7)	(182)	(5)	-	-
Claims handling expenses	+100 bps	(131)	(16)	(94)	(12)	-	-
	-100 bps	131	16	94	12	-	-
Discount rate	+100 bps p.a.	-	-	32	-	45	-
	-100 bps p.a.	-	-	(33)	-	(46)	-
Economic inflation rate	+100 bps p.a.	(48)	-	(35)	-	-	-
	-100 bps p.a.	48	-	34	-	-	-
Superimposed Inflation	+100 bps p.a.	(48)	-	(35)	-	-	-
	-100 bps p.a.	48	-	34	-	-	-
Risk adjustment for non financial risk	+100 bps p.a.	3	3	2	2	-	-
	-100 bps p.a.	(3)	(3)	(2)	(2)	-	-

**6. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)**

**(e) Sensitivity analysis – insurance contracts (continued)**

**(ii) Impact of changes in key variables (continued)**

The table below summarises the sensitivity of the profit/(loss) and the head office account to changes in key variables.

**2022**

	Movement in variable	Impact on profit/(loss) before tax \$000 Gross	Impact on profit/(loss) before tax \$000 Net	Impact on Head Office Account \$000 Gross	Impact on Head Office Account \$000 Net	Impact on OCI \$000 Gross	Impact on OCI \$000 Net
<b>Short-tail</b>							
Average weighted term to settlement	+0.5 year	1,794	204	1,256	143	-	-
	-0.5 year	(973)	(113)	(681)	(79)	-	-
Claims handling expenses	+100 bps	(696)	(616)	(487)	(431)	-	-
	-100 bps	696	616	487	431	-	-
Discount rate	+100 bps p.a.	-	-	122	14	175	20
	-100 bps p.a.	-	-	(124)	(14)	(178)	(20)
Economic inflation rate	+100 bps p.a.	(187)	(21)	(131)	(15)	-	-
	-100 bps p.a.	187	21	131	15	-	-
Risk adjustment for non financial risk	+100 bps p.a.	45	4	32	3	1	-
	-100 bps p.a.	(45)	(4)	(32)	(3)	(1)	-

	Movement in variable	Impact on profit/(loss) before tax \$000 Gross of RI	Impact on profit/(loss) before tax \$000 Net of RI	Impact on Head Office Account \$000 Gross of RI	Impact on Head Office Account \$000 Net of RI	Impact on OCI \$000 Gross of RI	Impact on OCI \$000 Net of RI
<b>Long-Tail</b>							
Average weighted term to settlement	+0.5 year	172	9	120	6	-	-
	-0.5 year	(176)	(9)	(123)	(6)	-	-
Claims handling expenses	+100 bps	(72)	(6)	(51)	(4)	-	-
	-100 bps	72	6	51	4	-	-
Discount rate	+100 bps p.a.	-	-	67	9	96	13
	-100 bps p.a.	-	-	(70)	(9)	(100)	(13)
Economic inflation rate	+100 bps p.a.	(105)	(14)	(74)	(10)	-	-
	-100 bps p.a.	103	13	72	9	-	-
Superimposed inflation	+100 bps p.a.	(105)	(14)	(74)	(10)	-	-
	-100 bps p.a.	103	13	72	9	-	-
Risk adjustment for non financial risk	+100 bps p.a.	5	4	4	2	-	-
	-100 bps p.a.	(5)	(4)	(4)	(2)	-	-

**(f) Risk adjustment for non-financial risk**

The risk adjustment reflects the compensation an entity would require for bearing non-financial risks, i.e. the uncertainty of cash flows that arise from insurance contracts, other than the uncertainty arising from financial risks. NZ IFRS 17 does not prescribe a specific approach for determining the risk adjustment.

The NZ Branch applies a Cost of Capital (CoC) approach to determine the risk adjustment at the NZ Branch level. The risk adjustment is then allocated to each group of contracts according to their risk profile. The 6% CoC rate applied allows for a diversification benefit between the NZ Branch's groups of contracts, as well as the Allianz SE Group diversification factor. The NZ Branch has determined that this approach is appropriate, as local business steering – including pricing decisions – is performed in the context of Allianz SE Group-wide targets and KPIs which also reflect the Allianz SE Group's expected group diversification factor.

## 6. ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

### (f) Risk adjustment for non-financial risk (continued)

The risk adjustment for LIC corresponds to a confidence level in the range of 55% to 60%. For the purposes of APRA capital management and policyholder protection, the NZ Branch continues to hold a risk margin which achieves a probability of adequacy of 75%.

The risk adjustments as a percentage of the best estimate discounted future cash flows are as follows:

Risk adjustments applied	Liability for incurred claims	
	2023	2022
Short-tail classes	0.65%	0.31%
Long-tail classes	8.61%	4.42%
Overall margin	0.86%	0.51%

## 7. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the NZ Branch's financial statements requires management to make estimates and assumptions that affect reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key area in which critical estimates and judgements are applied is in relation to liability for incurred claims and other recoveries receivable.

### Impact of economic uncertainty

Economic uncertainty remains high driven by the lasting effects of COVID-19 on social behaviour and the broader economy, as well as increased claims inflationary pressure from ongoing shortages in building material and labour.

In addition, the global economy continued to be challenged by global conflict and high inflation in 2023, prompting central banks including the Reserve Bank of New Zealand to persistently increase their interest rate targets in an effort to contain inflation.

## 8. INSURANCE REVENUE AND INSURANCE SERVICE RESULT

	2023	2022
	\$000	\$000
<b>Insurance revenue</b>		
Insurance revenue from contracts measured under the PAA	26,478	29,947
<b>Total insurance revenue</b>	<b>26,478</b>	<b>29,947</b>
<b>Insurance service expenses</b>		
Incurred claims and other directly attributable expenses	(15,493)	(7,740)
Changes that relate to past service - adjustments to the LIC	2,310	(30,115)
Losses on onerous contracts and reversal of those losses	2,057	(2,286)
Amortisation of insurance acquisition cash flows	-	-
<b>Total insurance service expenses</b>	<b>(11,126)</b>	<b>(40,141)</b>
<b>Net (expenses)/income from reinsurance contracts held</b>		
Reinsurance expenses - contracts measured under the PAA	(25,905)	(27,746)
Incurred claims recovery	11,128	1,221
Changes that relate to past service - adjustments to incurred claims	(1,641)	25,250
Reinsurance commissions income	5,085	5,942
Effect of changes in the risk of reinsurers non-performance	-	6
<b>Total net (expenses)/income from reinsurance contracts held</b>	<b>(11,333)</b>	<b>4,673</b>
<b>Total insurance service result</b>	<b>4,019</b>	<b>(5,521)</b>

# Notes to the Financial Statements

For the year ended 31 December 2023



## 9. INVESTMENT INCOME AND INSURANCE FINANCE EXPENSES

	2023 \$000	2022 \$000
<b>Net investment income</b>		
Interest revenue from financial assets not measured at FVTPL	2,887	1,639
Net loss on financial assets measured at FVOCI reclassified to profit or loss on disposal	-	(11)
Net credit impairment losses	1	1
<b>Net investment income through profit or loss and other comprehensive income</b>	<b>2,888</b>	<b>1,629</b>
<b>Finance income/(expenses) from insurance contracts issued</b>		
Interest accreted	(400)	(457)
Effect of changes in interest rates and other financial assumptions	(371)	584
<b>Finance (expenses)/income from insurance contracts issued through profit or loss and other comprehensive income</b>	<b>(771)</b>	<b>127</b>
<b>Finance income/(expenses) from reinsurance contracts held</b>		
Interest accreted	342	737
Effect of changes in interest rates and other financial assumptions	341	(734)
<b>Finance income from reinsurance contracts held through profit or loss and other comprehensive income</b>	<b>683</b>	<b>3</b>
<b>Net insurance finance (expenses)/income through profit or loss and other comprehensive income</b>	<b>(88)</b>	<b>130</b>
<b>Summary of the amounts recognised in profit or loss</b>		
Net investment income	2,888	1,660
Net insurance finance (expenses)/income	(58)	280
<b>Total investment income and insurance finance expenses recognised in profit or loss</b>	<b>2,830</b>	<b>1,940</b>
<b>Summary of the amounts recognised in other comprehensive income</b>		
Net losses on financial assets measured at FVOCI	-	(31)
Net insurance finance expenses	(30)	(150)
<b>Total investment income and insurance finance expenses recognised in other comprehensive income</b>	<b>(30)</b>	<b>(181)</b>

**10. TAXATION**

	2023 \$000	2022 \$000
<b>(a) Income tax expense</b>		
Current tax expense	(73)	-
Deferred tax (expense)/benefit	(1,611)	1,509
<b>Total recognised income tax (expense)/benefit</b>	<b>(1,684)</b>	<b>1,509</b>
<b>(b) Reconciliation of effective tax rate</b>		
Profit/(loss) before tax	3,656	(5,390)
Income tax at 28%	(1,024)	1,509
Other non-deductible	(660)	-
<b>Total income tax (expense)/benefit</b>	<b>(1,684)</b>	<b>1,509</b>
<b>(c) Deferred tax asset</b>		
The balance comprises temporary differences attributable to:		
Deferred acquisition cost	661	597
Accrued expenses	1	4
Other provisions	76	56
Tax loss	-	719
NZ IFRS 17 transition - equity	-	994
<b>Total deferred tax asset</b>	<b>738</b>	<b>2,370</b>
<b>(d) Deferred tax liability</b>		
NZ IFRS 17 transition - profit or loss	-	(4)
<b>Total deferred tax liability</b>	<b>-</b>	<b>(4)</b>
Deferred tax asset	738	2,370
Deferred tax liability	-	(4)
<b>Net deferred tax asset</b>	<b>738</b>	<b>2,366</b>

**11. OTHER ASSETS**

<b>(a) Other assets</b>		
Other assets	32,656	38,744
<b>To be received within 12 months</b>	<b>32,656</b>	<b>38,744</b>
<b>Total other assets</b>	<b>32,656</b>	<b>38,744</b>

**(b) Amounts due from related parties**

Receivables from related entities are interest free and repayable at call.

## 12. FINANCIAL ASSETS

### (a) Investments

The carrying values and valuation of financial assets at reporting date are as follows:

	2023	2022
	\$000	\$000
<b>As at 31 December</b>		
Cash and cash equivalents	31,924	68,787
<b>Total financial assets</b>	<b>31,924</b>	<b>68,787</b>

### (b) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- Transfers between levels are made at the date of the event or change in circumstances that caused the transfer.

	2023	2022
	Level 1	Level 1
	\$000	\$000
Cash and cash equivalents	31,924	68,787
<b>Total financial assets</b>	<b>31,924</b>	<b>68,787</b>

Transfers between levels of the hierarchy are deemed to have occurred at the end of the reporting period to be the value of the financial instrument at that date. No transfer between fair value hierarchy classifications occurred in 2023 (2022: nil) financial year. Gains and losses are recognised as investment income.

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Within the Level 2 category are financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions; assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers are valued using the vendors' proprietary models whereby the assumptions are market observable.

Level 3 comprises equity securities and unlisted fund investments and are recognised at unit price provided by the fund managers. The net asset values are calculated by our fund managers using material, non-public information about the respective securities and underlying assets. The NZ Branch has only limited insight into the specific inputs used by the fund managers hence a narrative sensitivity analysis is not applicable.

For unlisted debt and equity funds, the fair value of financial assets traded in active markets is based on their quoted market prices at the end of the reporting period. The fair value of assets that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. Where discounted cash flow techniques are used, estimated future cash flows are based on the managers' best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. For other pricing models, inputs are based on market data at the end of the reporting period.

The appropriateness of fair value hierarchy classification is reviewed annually.

**13. INSURANCE CONTRACTS**

Claims expense and a liability for incurred claims are recognised as losses occur. The liability for incurred claims includes the costs of claims reported but yet to be paid, IBNR, IBNER and the anticipated direct expenses to be incurred in settling claims.

The liability for incurred claims is established by reviewing individual claim files and estimating IBNRs, IBNERs and claims handling costs based on management expectations as to future claim payments, including an allowance for expected future economic and superimposed inflation. The estimated cash flows are discounted to present value using risk free rates plus an illiquidity adjustment (see Note 6(c)). All classes of claims are subject to actuarial assessment, and claims are calculated gross of reinsurance contract assets. A separate estimate is made of the amounts that are recoverable from reinsurers and other third parties under insurance contracts.

Reinsurance contract recoveries on paid claims, reported claims not yet paid, IBNRs and IBNERs are recognised as revenue. Recoveries receivables are estimated in a manner consistent with the assessment of the liability for incurred claims. Impairment is recognised where there is objective evidence that the NZ Branch may not receive amounts due to it and these amounts can be reliably measured.

Details of specific assumptions used in deriving the liability for incurred claims are detailed in Note 6.

**(a) Christchurch Earthquakes**

The central estimate for the liability of incurred claims includes \$1.3 million in 2023 (2022: \$1.5 million) relating to the Christchurch earthquakes which occurred in 2010 and 2011, with \$1.3 million (2022: \$1.3 million) held in reinsurance recoveries to offset this. The estimate is based on information on individual reported claims plus an allowance for future claims and claims development.

**(b) Kaikoura Earthquakes**

The central estimate for the liability for incurred claims includes \$32.2 million in 2023 (2022: \$56.0 million) relating to the Kaikoura earthquakes which occurred in November 2016, with \$26.6 million (2022: \$48.7 million) held in reinsurance recoveries to offset this. The estimate is based on information on individual reported claims plus an allowance for future claims and claims development.

**13. INSURANCE CONTRACTS (CONTINUED)**

**(c) Reconciliation of insurance contracts issued and reinsurance contracts held**

**(i) Reconciliation of the liability for remaining coverage and liability for incurred claims on insurance contracts issued**

	2023				
	LRC	LIC for contracts under the PAA			Total
Insurance contracts issued	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
	\$000	\$000	\$000	\$000	\$000
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	4,641	(2,286)	(78,677)	(298)	(76,620)
<b>Net balance as at 1 January</b>	<b>4,641</b>	<b>(2,286)</b>	<b>(78,677)</b>	<b>(298)</b>	<b>(76,620)</b>
<b>Insurance revenue</b>	<b>26,478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,478</b>
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	(2,204)	-	(13,180)	(109)	(15,493)
Changes that relate to past service - adjustments to incurred claims	-	-	2,104	206	2,310
Losses on onerous contracts and reversals of those losses	-	2,057	-	-	2,057
<b>Insurance service expenses</b>	<b>(2,204)</b>	<b>2,057</b>	<b>(11,076)</b>	<b>97</b>	<b>(11,126)</b>
<b>Insurance service result</b>	<b>24,274</b>	<b>2,057</b>	<b>(11,076)</b>	<b>97</b>	<b>15,352</b>
Finance expenses from insurance contracts issued	-	-	(766)	(5)	(771)
<b>Total amounts recognised in comprehensive income</b>	<b>24,274</b>	<b>2,057</b>	<b>(11,842)</b>	<b>92</b>	<b>14,581</b>
<b>Cash flows</b>					
Premiums received	(23,175)	-	-	-	(23,175)
Claims and other directly attributable expenses paid	-	-	29,718	-	29,718
Insurance acquisition cash flows	1,169	-	-	-	1,169
<b>Total cash flows</b>	<b>(22,006)</b>	<b>-</b>	<b>29,718</b>	<b>-</b>	<b>7,712</b>
<b>Net balance as at 31 December</b>	<b>6,909</b>	<b>(229)</b>	<b>(60,801)</b>	<b>(206)</b>	<b>(54,327)</b>
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	6,909	(229)	(60,801)	(206)	(54,327)
<b>Net balance as at 31 December</b>	<b>6,909</b>	<b>(229)</b>	<b>(60,801)</b>	<b>(206)</b>	<b>(54,327)</b>

**13. INSURANCE CONTRACTS (CONTINUED)**

**(c) Reconciliation of insurance contracts issued and reinsurance contracts held (continued)**

**(i) Reconciliation of the liability for remaining coverage and liability for incurred claims on insurance contracts issued (continued)**

	2022				
	LRC	LIC for contracts under the PAA			Total
Insurance contracts issued	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
	\$000	\$000	\$000	\$000	\$000
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	5,628	-	(71,829)	(321)	(66,522)
<b>Net balance as at 1 January</b>	<b>5,628</b>	<b>-</b>	<b>(71,829)</b>	<b>(321)</b>	<b>(66,522)</b>
<b>Insurance revenue</b>	<b>29,947</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,947</b>
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	(3,318)	-	(4,383)	(39)	(7,740)
Changes that relate to past service - adjustments to incurred claims	-	-	(30,176)	61	(30,115)
Losses on onerous contracts and reversals of those losses	-	(2,286)	-	-	(2,286)
<b>Insurance service expenses</b>	<b>(3,318)</b>	<b>(2,286)</b>	<b>(34,559)</b>	<b>22</b>	<b>(40,141)</b>
<b>Insurance service result</b>	<b>26,629</b>	<b>(2,286)</b>	<b>(34,559)</b>	<b>22</b>	<b>(10,194)</b>
Finance expenses from insurance contracts issued	-	-	126	1	127
<b>Total amounts recognised in comprehensive income</b>	<b>26,629</b>	<b>(2,286)</b>	<b>(34,433)</b>	<b>23</b>	<b>(10,067)</b>
<b>Cash flows</b>					
Premiums received	(30,462)	-	-	-	(30,462)
Claims and other directly attributable expenses paid	-	-	27,585	-	27,585
Insurance acquisition cash flows	2,846	-	-	-	2,846
<b>Total cash flows</b>	<b>(27,616)</b>	<b>-</b>	<b>27,585</b>	<b>-</b>	<b>(31)</b>
<b>Net balance as at 31 December</b>	<b>4,641</b>	<b>(2,286)</b>	<b>(78,677)</b>	<b>(298)</b>	<b>(76,620)</b>
Opening insurance contract liabilities	-	-	-	-	-
Closing insurance contract liabilities	4,641	(2,286)	(78,677)	(298)	(76,620)
<b>Net balance as at 31 December</b>	<b>4,641</b>	<b>(2,286)</b>	<b>(78,677)</b>	<b>(298)</b>	<b>(76,620)</b>

**13. INSURANCE CONTRACTS (CONTINUED)**

**(c) Reconciliation of insurance contracts issued and reinsurance contracts held (continued)**

**(ii) Reconciliation of the liability for remaining coverage and liability for incurred claims on reinsurance contracts held**

Reinsurance contracts held	2023			
	Liability for remaining coverage	Incurred claims for contracts under the PAA		Total
		Present value of future cash flows	Risk adjustment for non-financial risk	
	\$000	\$000	\$000	\$000
Opening reinsurance contract assets	3,175	84,439	253	87,867
Opening reinsurance contract liabilities	-	-	-	-
<b>Net balance as at 1 January</b>	<b>3,175</b>	<b>84,439</b>	<b>253</b>	<b>87,867</b>
<b>Net income/(expenses) from reinsurance contracts held</b>				
Reinsurance expenses	(25,905)	-	-	(25,905)
Reinsurance commissions received	5,085	-	-	5,085
Incurred claims recovery	-	11,046	82	11,128
Changes that relate to past service - adjustments to incurred claims	-	(1,454)	(187)	(1,641)
<b>Net income/(expenses) from reinsurance contracts held</b>	<b>(20,820)</b>	<b>9,592</b>	<b>(105)</b>	<b>(11,333)</b>
Finance income from reinsurance contracts held	-	679	4	683
<b>Total amounts recognised in comprehensive income</b>	<b>(20,820)</b>	<b>10,271</b>	<b>(101)</b>	<b>(10,650)</b>
<b>Cash flows</b>				
Reinsurance premiums paid	16,104	-	-	16,104
Reinsurance acquisition costs	5,885	-	-	5,885
Recoveries from reinsurance	-	(36,299)	-	(36,299)
<b>Total cash flows</b>	<b>21,989</b>	<b>(36,299)</b>	<b>-</b>	<b>(14,310)</b>
<b>Net balance as at 31 December</b>	<b>4,344</b>	<b>58,411</b>	<b>152</b>	<b>62,907</b>
Closing reinsurance contract assets	4,344	58,411	152	62,907
Closing reinsurance contract liabilities	-	-	-	-
<b>Net balance as at 31 December</b>	<b>4,344</b>	<b>58,411</b>	<b>152</b>	<b>62,907</b>

**13. INSURANCE CONTRACTS (CONTINUED)**

**(c) Reconciliation of insurance contracts issued and reinsurance contracts held (continued)**

**(ii) Reconciliation of the liability for remaining coverage and liability for incurred claims on reinsurance contracts held (continued)**

Reinsurance contracts held	2022				Total \$000
	Liability for remaining coverage \$000	Incurred claims for contracts under the PAA		Risk adjustment for non-financial risk \$000	
		Present value of future cash flows \$000			
Opening reinsurance contract assets	3,851	59,970	626		64,447
Opening reinsurance contract liabilities	-	-	-		-
<b>Net balance as at 1 January</b>	<b>3,851</b>	<b>59,970</b>	<b>626</b>		<b>64,447</b>
<b>Net income/(expenses) from reinsurance contracts held</b>					
Reinsurance expenses	(27,746)	-	-		(27,746)
Reinsurance commissions received	5,942	-	-		5,942
Incurred claims recovery	-	1,194	27		1,221
Changes that relate to past service - adjustments to incurred claims	-	25,656	(406)		25,250
Effect of changes in the risk of reinsurance non-performance	-	6	-		6
<b>Net income/(expenses) from reinsurance contracts held</b>	<b>(21,804)</b>	<b>26,856</b>	<b>(379)</b>		<b>4,673</b>
Finance income from reinsurance contracts held	-	(3)	6		3
<b>Total amounts recognised in comprehensive income</b>	<b>(21,804)</b>	<b>26,853</b>	<b>(373)</b>		<b>4,676</b>
<b>Cash flows</b>					
Reinsurance premiums paid	15,104	-	-		15,104
Reinsurance acquisition costs	6,024	-	-		6,024
Recoveries from reinsurance	-	(2,384)	-		(2,384)
<b>Total cash flows</b>	<b>21,128</b>	<b>(2,384)</b>	<b>-</b>		<b>18,744</b>
<b>Net balance as at 31 December</b>	<b>3,175</b>	<b>84,439</b>	<b>253</b>		<b>87,867</b>
Closing reinsurance contract assets	3,175	84,439	253		87,867
Closing reinsurance contract liabilities	-	-	-		-
<b>Net balance as at 31 December</b>	<b>3,175</b>	<b>84,439</b>	<b>253</b>		<b>87,867</b>

**(iii) Classification of insurance and reinsurance contracts**

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>As at 31 December</b>						
Insurance contract liabilities	50,678	3,649	<b>54,327</b>	73,483	3,137	<b>76,620</b>
Reinsurance contract assets	58,257	4,650	<b>62,907</b>	84,529	3,338	<b>87,867</b>

**13. INSURANCE CONTRACTS (CONTINUED)**

**(d) Claims development table**

The following tables show the development of gross and net discounted liability for incurred claims relative to the ultimate expected claims for the ten most recent accident years.

**Gross**

Accident year	2014 and Prior	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Estimate of ultimate claims cost:											
At end of accident year	123,501	3,514	3,479	3,779	5,021	6,578	3,939	1,494	1,845	2,011	
One year later	119,893	5,176	3,498	4,944	6,484	7,093	3,134	1,518	476		
Two years later	110,405	6,188	4,087	3,504	5,449	3,908	2,089	1,068			
Three years later	115,710	7,374	3,303	2,572	2,978	2,507	1,389				
Four years later	114,474	6,366	2,808	1,283	2,159	2,217					
Five years later	113,575	6,031	2,178	1,257	2,062						
Six years later	113,214	5,716	2,955	8,820							
Seven years later	112,273	5,692	2,960								
Eight years later	112,194	5,811									
Nine years later	112,162										
Estimate of cumulative claims cost	112,162	5,811	2,960	8,820	2,062	2,217	1,389	1,068	476	2,011	138,976
Cumulative payments	111,729	4,463	2,073	1,270	2,061	1,938	986	532	8	819	125,879
<b>Claims outstanding - undiscounted</b>	<b>433</b>	<b>1,348</b>	<b>887</b>	<b>7,550</b>	<b>1</b>	<b>279</b>	<b>403</b>	<b>536</b>	<b>468</b>	<b>1,192</b>	<b>13,097</b>
Short tail classes - undiscounted											48,159
Claims handling expenses - undiscounted											590
<b>Gross discounted liability for incurred claims</b>											<b>61,846</b>
Effect of discounting											(929)
Effect of the risk adjustment margin for non-financial risk											206
Non-reinsurance recoveries											(116)
<b>Gross discounted liability for incurred claims</b>											<b>61,007</b>

**13. INSURANCE CONTRACTS (CONTINUED)**

**(d) Claims development table (continued)**

**Net**

Accident year	2014 and Prior	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Estimate of Ultimate Claims Cost:</b>											
At End of Accident Year	73,567	1,027	756	983	1,472	1,302	656	1	3	(95)	
One year later	71,675	2,264	1,866	1,945	1,752	992	595	139	8		
Two years later	68,070	697	624	894	795	356	440	142			
Three years later	68,057	958	708	920	576	316	276				
Four years later	67,702	872	656	862	553	348					
Five years later	67,076	808	634	847	567						
Six years later	67,151	766	640	871							
Seven years later	67,252	768	628								
Eight years later	67,230	758									
Nine years later	67,157										
<b>Estimate of cumulative claims cost</b>	<b>67,157</b>	<b>758</b>	<b>628</b>	<b>871</b>	<b>567</b>	<b>348</b>	<b>276</b>	<b>142</b>	<b>8</b>	<b>(95)</b>	<b>70,660</b>
<b>Cumulative payments</b>	<b>66,933</b>	<b>758</b>	<b>628</b>	<b>854</b>	<b>567</b>	<b>348</b>	<b>276</b>	<b>142</b>	<b>8</b>	<b>(42)</b>	<b>70,472</b>
<b>Claims outstanding - undiscounted</b>	<b>224</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(53)</b>	<b>188</b>
Short tail classes - undiscounted											6,754
Claims handling expenses - undiscounted											365
<b>Net undiscounted liabilities for incurred claims</b>											<b>7,307</b>
Effect of discounting											(58)
Effect of the risk adjustment margin for non-financial risk											54
<b>Net discounted liability for incurred claims</b>											<b>7,303</b>

**14. AUDITOR'S REMUNERATION**

During the year the following fees were paid or payable for services provided by the auditor, its related practices and non-related audit firms.

	2023	2022
	\$	\$
Audit of the financial statements	74,276	55,968
Taxation services	30,000	25,000
<b>Total auditor's remuneration</b>	<b>104,276</b>	<b>80,968</b>

## 15. KEY MANAGEMENT PERSONNEL COMPENSATION

### (a) Key management personnel

Key management personnel are those who directly or indirectly have authority and responsibility for planning, directing and controlling the activities of the Company and the NZ Branch. This includes executive and non-executive directors as well as the senior management team.

### (b) Transactions with key management personnel

	2023	2022
	\$ NZD	\$ NZD
Short term employee benefits	8,480,465	9,703,832
Post employment benefits	333,131	326,955
Long term employee benefits	1,271	(23,341)
Share-based payments	3,487,814	2,725,279
Termination benefits	174,343	2,820
<b>Total benefits paid, payable or otherwise provided by the Company to management companies in relation to the key management personnel</b>	<b>12,477,024</b>	<b>12,735,545</b>

Remuneration for staff is paid by Allianz New Zealand Limited and Allianz Australia Services Pty Limited, subsidiaries of Allianz Australia Limited and recharged to relevant Group companies in accordance with a service agreement based on estimated time spent. Share-based payments relate to Restricted Stock Units for shares in the ultimate parent entity, Allianz SE.

### (c) Loans and other transactions with key management personnel

The Company sold insurance to its key management personnel during the period within normal employee or customer relationships on terms and conditions no more favourable than those available on similar transactions to other employees or customers. Refer to Note 16 for related party transactions concerning Directors.

## 16. RELATED PARTY TRANSACTIONS

Allianz Australia Insurance Limited – New Zealand Branch is part of Allianz Australia Insurance Limited. The immediate parent entity of Allianz Australia Insurance Limited is Allianz Australia Limited and the ultimate parent entity of Allianz Australia Insurance Limited is Allianz SE, a company incorporated in Germany

The following types of transactions have arisen between the NZ Branch and entities within the Allianz SE Group:

- (i) loans advances and repayments;
- (ii) fees for funds management;
- (iii) commissions;
- (iv) outsourced services;
- (v) reinsurance arrangements; and
- (vi) equity compensation schemes.

Fees and charges between the NZ Branch and those entities in the Allianz SE Group are based on normal commercial terms and conditions.

The names of each person holding the position of Director of Allianz Australia Limited during or since the end of the reporting period are P.J. Dwyer, R.D. Feledy, A.J. Johnson (appointed 6 September 2023), V.A. McFadden, J.F. McAloon, M.J. Hawker, R. Wagner (appointed 15 May 2023), C.G. Townsend, T.K.H. Naumann, J.C. Rosemeyer (appointed 4 September 2023 as Alternate Director for R. Wagner and C.G. Townsend), P.N.J. Allaway (resigned 1 April 2023), and U. Lange (resigned 18 January 2023).

R. Wagner, T.K.H. Naumann and C.G. Townsend represent the shareholder, Allianz SE that may result in them having significant influence over the financial and operating policies of the NZ Branch.

**16. RELATED PARTY TRANSACTIONS (CONTINUED)**

<b>Management fees paid to/(received from):</b>	2023 \$	2022 \$
Allianz New Zealand Limited	569,874	264,563
PIMCO New Zealand Pty Limited	(1,603)	141

The terms and conditions of the transactions with Directors and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arms' length basis.

The NZ Branch underwrites policies of insurance sourced by other entities subject to common control which act as underwriting agencies and insurance brokers. Commission for these transactions is paid at commercial rates. The NZ Branch paid / (received) the following commissions to related parties during the year:

AWP Services New Zealand Limited	73,852	168,383
Euler Hermes Trade Credit Underwriting Agency Pty Limited	45,264	2,119,121
Reinsurance claims recoverable recovered	9,489,461	25,325,109
Reinsurance premiums ceded	25,877,804	27,745,959

**Amounts due (to) / from related parties**

Head Office Account - Allianz Australia Insurance Limited	(27,423,220)	(25,471,799)
Allianz Australia Insurance Limited	1,530,813	(66,777,655)
Allianz New Zealand Limited	(21,307,334)	8,573,912
Club Marine Limited	(1,279,700)	(3,431,244)
Allianz Australia Services Pty Limited	(11,971,843)	(11,783,409)
AWP Services New Zealand Limited	15,641,176	16,009,437
Primacy Underwriting Management Limited	-	(1,282)
<b>Net amount due to related parties</b>	<b>(44,810,108)</b>	<b>(82,882,040)</b>

# Notes to the Financial Statements

For the year ended 31 December 2023



## 17. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2023	2022
	\$000	\$000
<b>(a) Cash reconciliation</b>		
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>31,924</b>	<b>68,787</b>
<b>(b) Reconciliation of profit after income tax to net cash inflows from operating activities</b>		
Profit for the year	1,951	(4,158)
<b>Non-cash movements:</b>		
Expected credit loss recognised under NZ IFRS 9	(1)	(1)
Unrealised gain on revaluation	-	31
<b>Change in assets and liabilities:</b>		
Decrease/(increase) in insurance contracts	(22,292)	10,098
Decrease/(increase) in reinsurance contracts	24,960	(23,420)
Decrease/(increase) in deferred tax asset	1,628	(1,081)
(Increase)/decrease in current tax asset	(2,159)	11
Decrease in creditors and amounts owed to related companies	(40,950)	(3,151)
<b>Net cash outflow from operating activities</b>	<b>(36,863)</b>	<b>(21,671)</b>

## 18. CONTINGENT LIABILITIES

Directors of the NZ Branch are engaged in normal commercial disputes and actions, which individually are not considered material but which if taken together may have a material impact on the NZ Branch. The Directors, supported by appropriate professional and legal advice, consider the possibility of a material consequence to the Company, arising from these disputes or actions, to be remote.

The Directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.

## 19. EVENTS SUBSEQUENT TO BALANCE DATE

The NZ Branch continues to runoff its insurance operations with the Allianz Global Corporate & Specialty portfolio ceasing renewals from 1 January 2024 under the NZ Branch licence.

Since the end of the financial year, the Directors are not aware of any other matters or circumstances not otherwise dealt with in their Director's Report or the financial statements that has significantly affected or may significantly affect the NZ Branch's operations, the results of those operations or the state of affairs in future financial periods.



## Independent auditor's report

To the directors of Allianz Australia Insurance Limited

### Our opinion

In our opinion, the accompanying financial statements of Allianz Australia Insurance Limited - New Zealand Branch (the Branch), present fairly, in all material respects, the financial position of the Branch as at 31 December 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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### What we have audited

The Branch's financial statements comprise:

- the Statement of Financial Position as at 31 December 2023;
- the Statement of Profit or Loss and Other Comprehensive Income for the year then ended;
- the Statement of Changes in Head Office Account for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the Notes to the Financial Statements, which include material accounting policies and other explanatory information.

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### Basis for opinion

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

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

### Independence

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

Our firm carries out other services for the Branch in the areas of Taxation Services. The provision of these other services has not impaired our independence as auditor of the Branch.

## Our audit approach

### Overview



Overall materiality: \$1.3 million, which represents approximately 1% of total assets.

We chose total assets as the benchmark because, in our view, it is the benchmark that is most appropriate for the requirements of the users and is a generally accepted benchmark. We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

We have determined that there is one key audit matter:

- Valuation of Liability for Incurred Claims

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

### Materiality

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

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

### Audit scope

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

### 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, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

#### Key audit matter

#### How our audit addressed the key audit matter

##### Valuation of Liability for Incurred Claims

Refer to note 13 (2023: \$61.0m, 2022: \$79.0m)

We considered the valuation of the liability for incurred claims a key audit matter because of the complexity involved in the estimation process, the significant judgements that the Branch made in determining the balance and the inherent uncertainty in estimating the expected future payments for claims incurred, including those not yet reported.

The liability for incurred claims involves estimating the expected present value of future payments for claims incurred during the year or in prior periods. The liability for incurred claims is estimated by the Appointed Actuary as a central estimate but, as is the case with any accounting estimate, there is a risk that the ultimate claims paid will differ from the initial estimates. A risk adjustment is therefore applied to reflect the uncertainty in the estimate.

##### *Gross discounted central estimate*

Valuation of the liability involves complex and subjective judgements on a number of areas, including:

- Future events, internal and external to the business, for which small changes in assumptions can result in material impacts on the estimate
- Estimation of payments for claims incurred but not reported at the reporting date given there is generally less clarity on this information
- Estimation of the period over which claims are expected to settle, impacting the estimation of expected future payments.

##### *Risk Adjustment*

The risk adjustment is also a key area of judgment given it is intended to reflect the compensation an entity requires for bearing the uncertainty about

Our audit included evaluating the design of the relevant key controls and testing whether these controls operated effectively throughout the year including the reconciliation of data inputs to both the General Ledger and historical data.

We tested historical claims, a key input into the actuarial estimates, by selecting a sample of claims case estimates and settlements and agreeing them to underlying documentation.

To evaluate the appropriateness of the methodologies and assumptions utilised, together with PwC actuarial experts, we developed an understanding of the actuarial practices used to determine the gross discounted central estimate and risk adjustment. In addition, we:

- Evaluated whether the actuarial methodologies were consistent with industry practice and prior years.
- Assessed significant actuarial assumptions for appropriateness, including claims ratios and relevant economic factors by comparing them with our expectations based on experience, current trends, and industry benchmarks.
- Tested the accuracy of data used in the actuary's valuation models back to source systems.
- Tested the discount applied. This included assessing the methodology for determining the discount rates and comparing the discount rates applied to external market data and the payment patterns to historical information.
- Assessed the approach to setting the risk adjustment in the context of the requirements of NZ IFRS 17.



Key audit matter	How our audit addressed the key audit matter
the amount and timing of the cash flows associated with insurance contracts that arise from non-financial risks.	• Assessed the appropriateness of the presentation and disclosure in the context of the requirements of NZ IFRS 17.

### *Other information*

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the financial statements*

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

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

### *Auditor's responsibilities for the audit of the financial statements*

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

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



<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>  
This description forms part of our auditor's report.

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*Who we report to*

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

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

For and on behalf of:

A handwritten signature in black ink that reads 'Price Waterhouse Coopers' in a cursive script.

Chartered Accountants  
28 March 2024

Sydney

## Allianz Australia Insurance Limited (NZ Branch)

Meeting Date: 28 March 2024

Division: Finance

For Approval

Submitted By: Timothy Clark

For Discussion

Reviewed By: Deborah Ha

For Noting

**SUBJECT: AAIL (NZ Branch) Appointed Actuary Report at 31 December 2023**

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### 1. PURPOSE

I have prepared this Appointed Actuary report as at 31 December 2023 for the Board of Allianz Australia Insurance Limited (AAIL) in my capacity as Appointed Actuary to AAIL. I am in the process of applying to becoming the Appointed Actuary of the AAIL NZ branch.

This report is required under Section 77 of the New Zealand Insurance (Prudential Supervision) Act 2010, under which each insurer must “ensure that the actuarial information contained in, or used in the preparation of, the financial statements of the insurer.... is reviewed by the appointed actuary”.

This report has been prepared to comply with Section 78 of the New Zealand Insurance (Prudential Supervision) Act 2010, which outlines the key requirements of the Appointed Actuary Review. As per instructions from the Reserve Bank of New Zealand (RBNZ), this report is not intended to comprise an Insurance Liability Valuation Report for AAIL. As such, it does not comply with the relevant requirements outlined in PS 30 issued by the New Zealand Society of Actuaries.

### 2. SUPPORTING ANALYSES

As Appointed Actuary to AAIL, I am responsible for the preparation of actuarial information which feeds into the AAIL financial statements. The actuarial information provided to support the 31 December 2023 financial statements (“Financial Statements”) is the result of the following work performed by the Finance Actuarial team:

- A full analysis of outstanding claims for AAIL using data as at 30 September 2023;
- A roll forward of the 30 September 2023 full valuation outstanding claims estimates to 31 December 2023;
- A full analysis of premium liabilities as at 31 December 2023.

These are documented in the report “Allianz Australia Actuarial Valuation Report – December 2023”.

### **3. WORK UNDERTAKEN FOR THIS REVIEW**

In preparing this report, I have reconciled the actuarial items shown in the Financial Statements against information provided by my team resulting from the actuarial analysis described above. The Financial Control team assisted in my review of the Financial Statements by preparing a full reconciliation (including an email trail) between information provided by my team and its subsequent inclusion in the Financial Statements.

In addition, my team has performed a review of the 31 December 2023 Allianz Australia Insurance Limited APRA return to ensure that the actuarial information had been correctly reflected in that return and that the solvency calculations did not appear unreasonable. This includes (in accordance with paragraph 4.1.1 of AAILNZ's License to Carry on Insurance Business in New Zealand) the unearned premium liability and the liability adequacy test, the net outstanding claims liability, reinsurance and any other recovery assets and any deferred acquisition cost or deferred revenue fee (Solvency Standard Actuarial Information).

### **4. ACCESS TO INFORMATION, RESTRICTIONS / LIMITATIONS**

In my capacity as Appointed Actuary, I already have direct access to all information required for the review required. Where I have requested additional information, this has been provided. No restrictions or limitations were placed upon me in the provision of this report.

### **5. STATEMENT OF RELATIONSHIP**

I am the Appointed Actuary for AAILNZ. I am also the Group Actuary for Allianz Australia Limited, the parent company of AAIL. As a senior officer at Allianz, I participate in the Allianz Australia Limited performance incentive scheme. These are my only interests with respect to AAILNZ.

### **6. OPINION**

I have reviewed the Financial Statements, the calculation of the APRA Prescribed Capital Requirement and the actuarial information (as defined in section 77(4) of the Insurance (Prudential Supervision) Act 2010, including the Solvency Standard Actuarial Information ("Actuarial Information"). In my opinion:

- the Actuarial Information contained in the Financial Statements has been appropriately included in those statements;
- the Actuarial Information used in the preparation of the Financial Statements has been used appropriately; and
- AAIL is maintaining as at the balance date, the solvency margin that applies under the condition imposed under section 21(2)(b) of the New Zealand Insurance (Prudential Supervision) Act 2010.

### **7. RECOMMENDATION**

It is recommended that the Board consider and note the information in this paper.



Prepared by:  
**Timothy Clark FIAA, FCAS, CERA**  
14 March 2024