Vero Liability Insurance Limited

Financial report
for the financial year ended 30 June 2024

vero liability
insurance limited

Vero Liability Insurance Limited

Financial report

for the financial year ended 30 June 2024

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Directors' report

The Board of Directors presents the Directors' report together with the financial report of Vero Liability Insurance Limited (the **Company**) for the financial year ended 30 June 2024.

With the agreement of the shareholder, the Company has taken advantage of reporting concessions available to it under Section 211(3) of the Companies Act 1993.

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

Non-executive
K A Armstrong
A J Barrass
D M Flacks (Chairman)
J J Higgins
K L Jorgensen
L J Tanner

Executive
A R Tulloch
B N Waymouth

Registered office
Level 13
Vero Centre
48 Shortland Street
Auckland 1010
New Zealand

Auditor
KPMG
18 Viaduct Harbour Avenue
Auckland 1010
New Zealand

Dividends
During the financial year, the Company paid dividends totalling $48,100,000 (2023: $32,700,000). Further details of dividends paid are set out in Note 3 to the financial statements.

Principal activities
The principal activities of the Company during the course of the financial year were the underwriting of liability insurance and the investment and administration of insurance funds. There has been no significant change in the nature of these activities during the year.

Review of operations
The net profit after income tax for the year ended 30 June 2024 was $40,287,000 for the Company compared with restated net profit after income tax of $35,252,000 for the previous year ended 30 June 2023.

Events subsequent to reporting date
There is, at the date of this Report, no matter or circumstance that has arisen since 30 June 2024 that has significantly affected, or may significantly affect:

(a) the Company's operations in future financial periods;
(b) the results of those operations in future financial periods; or
(c) the Company's state of affairs in future financial periods.

Directors' report (continued)

Information on Directors in office at the date of this report

Non-executives

Kate Armstrong

LLB, BA

A director since 2020 and chair of the Board Audit and Risk Committee since 2022, Ms Armstrong is a lawyer who has significant experience in the financial services sector, including investments, insurance and banking. She has also been closely involved in the design and operation of customer and remediation programmes with a focus on customer outcome led compliance. Ms Armstrong is also a director of Vero Liability Insurance Limited and Asteron Life Limited.

Alison J Barrass

BSc, PGDipBus, University of Southampton, University of Auckland, Chartered Fellow, IOD.

Director since 2022, and experienced governance professional, Ms Barrass is a director and chair of a number of company boards. Ms Barrass has a broad range of skills, including knowledge and expertise in the fast-moving consumer goods (FMCG) sector, primary sector and tech sector and in governance, leadership and marketing-led innovation. She primarily works with New Zealand based businesses that are investing significantly in digitisation and/or international growth. Ms Barrass is also a director of Vero Liability Insurance Limited and Asteron Life Limited.

David M Flacks

BA, MA, St John's College, University of Cambridge

Director since 2013 and appointed as Chairman in 2019. Mr Flacks is an experienced governance and regulatory professional, previously Chair of NZX Regulatory Governance Committee, Chair of NZX Markets Disciplinary Committee and a Member of the Takeovers Panel, having been a senior corporate lawyer for many years. Mr Flacks is chair of a number of company boards. He is also a director of Vero Liability Insurance Limited and Asteron Life Limited.

James J Higgins

BA (Psychology), B Bus (Accountancy), GradDipCA

Director and Suncorp New Zealand Chief Executive Officer since 2020, Mr Higgins has been with Suncorp since 2008, and was Suncorp New Zealand Chief Financial Officer immediately prior to his appointment as Chief Executive Officer. He has strong commercial, financial and operational experience, having worked in audit, assurance and forensic accounting prior to joining Suncorp, where he managed claims response to significant events, including Cyclone Yasi and the Canterbury Earthquake Sequence. Mr Higgins is also a director of Vero Insurance New Zealand Limited, and AA Insurance Limited. He is also a director of Asteron Life Limited and other related companies comprising Suncorp New Zealand.

Kate L Jorgensen

MTF, B.Bus (Accountancy), CA, CMInstD

Director since 2022, Ms Jorgensen has significant financial, audit and commercial experience and has held several senior leadership positions within the telecommunications, infrastructure and construction industries in New Zealand. Kate's background as an experienced Audit and Risk Committee member who maintains excellent financial discipline helps give confidence to stakeholders. Ms Jorgensen is also a director of Vero Liability Insurance Limited and Asteron Life Limited.

Directors' report (continued)

Lindsay J Tanner

BA (Hons), LLB (Hons), MA (Melb)

Director since 2023. Mr Tanner has worked at the highest levels of government and business in Australia for over 35 years, including as Minister for Finance and Deregulation from 2007 to 2010, where he played a significant role in regulatory reform in the financial services sector. He also served as Minister for the Future Fund during the Global Financial Crisis. He began his professional career as a lawyer representing consumers in disputed personal injury and motor insurance claims. Mr Tanner is also a director of Vero Liability Insurance Limited, Suncorp Group Limited, Asteron Life Limited and related holding companies comprising Suncorp New Zealand.

Executives

Adrian R Tulloch

Director and Managing Director since 2001. Mr Tulloch is an experienced liability insurance underwriter with extensive knowledge of the New Zealand insurance market. Mr Tulloch set up Vero Liability Insurance Limited in August 2001 after more than two decades in senior positions in the insurance industry.

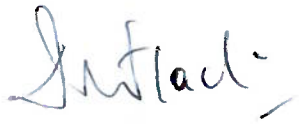
Benjamin N Waymouth

BA

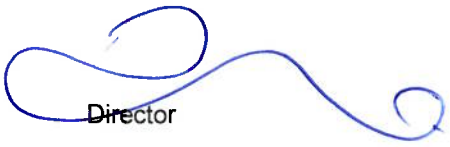
Deputy Managing Director since 2001. Mr Waymouth has over 25 years of liability insurance underwriting and portfolio management experience in the New Zealand market including underwriting in the Lloyds market. Mr Waymouth has executive responsibility with the Managing Director to manage the operations and performance of Vero Liability Insurance Limited.

This financial report of the Company was approved for issue by the Board on 12 August 2024.

Signed in accordance with a resolution of the Directors.



Director



Director

Corporate governance statement

This corporate governance statement contains an outline of the principal corporate governance practices, policies and processes of the Company.

Board

The role of the Board of Directors is to provide effective governance over the operations of the Company to ensure that systems and processes are in place and maintained to achieve business objectives, ensure compliance with applicable laws, manage risks and protect the interests of stakeholders including its ultimate parent Suncorp Group Limited, the Company's customers, employees, suppliers and local communities in which it operates.

The Board responsibilities include approving the strategic direction of the Company, approving the Company's budget and major operating and capital expenditure, monitoring executive management's performance, and approving the Company's risk policies, Risk Appetite Statement and Internal Capital Adequacy Assessment Process (**ICAAP**).

The Directors of the Company are appointed by the parent Board. Factors that are taken into account when considering a new appointment to the Board include the size of the Board, its composition and diversity, mix of competencies, qualities and skills held by existing Directors and how the skills of a new Director may be utilised for the effective and prudent management of the Company and how the candidate's attributes will balance and complement the future requirements of the Board. Other key considerations include culture fit and an understanding of the business of the Company and the environment in which it operates. The Board considers it important to maintain an appropriate mix of long-serving Directors with established knowledge of the Company's business and corporate history, and new Directors who bring a fresh perspective to the Board.

The independence of the non-executive Directors is assessed in accordance with criteria adopted by the Board and the Governance Guidelines issued by the Reserve Bank of New Zealand for licensed insurers.

New Directors undergo an induction process and all Directors are expected to keep up to date with matters affecting the business of the Company, the Suncorp Group, the insurance industry and their duties as Directors.

Ongoing Director education sessions are provided on topical issues and matters that require technical or specialist knowledge.

The Board has adopted a Fit and Proper Policy. Each Director has met the requirements and criteria in this Policy and must complete an annual fit and proper declaration which is approved by the Board.

Membership

There are eight Directors in office, five being independent non-executive Directors (Kate Armstrong, Alison Barass, David Flacks, Kate Jorgensen and Lindsay Tanner), one non-independent non-executive (James Higgins), and two being executive Directors (Adrian Tulloch, Managing Director of Vero Liability and Ben Waymouth, Deputy Managing Director of Vero Liability). The Directors' Report includes brief details of the qualifications and experience of the Directors.

Board Audit and Risk Committee (BARC)

The role of the BARC is to assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to the financial and operating environment, risk management systems and processes and ensuring a sound risk culture that maintains a focus on appropriate customer outcomes.

The BARC responsibilities include reviewing financial information, monitoring financial and tax risks, appointing the external auditor and safeguarding the independence of the external auditor, internal audit and the appointed actuary, monitoring material risks and compliance with risk management policies including compliance with applicable laws and regulations.

Membership

All non-executive Directors, the Suncorp New Zealand Chief Executive Officer and the Managing Director are members of the BARC.

Corporate governance statement (continued)

Management Committees

The Board has delegated the day-to-day operation and management of the Company to the Vero Liability Managing Director. To assist in these duties, management committees have been established to monitor and oversee key risks. Management committees in place are: Non-Financial Risk Committee (**NFRC**), Asset and Liability Committee (**ALCO**), Customer Committee (**CC**) and Vero Liability Management, Governance and Technical Committees.

Corporate Governance

The Company is part of the Suncorp Group and complies with Suncorp Group policies and requirements, except where these are inconsistent with the requirements of New Zealand law or regulatory requirements, or where the Board considers that they are not in the best interests of the Company. The Company has also adopted New Zealand specific policies, standards and guidelines where appropriate. Key policies in place include: the Code of Conduct, Conflict of Interest Policy, Business Continuity Management Policy, Enterprise Risk Management Framework (**ERMF**), the Whistleblower Policy, Product Management Policy, Investment Governance Policy, Securities Trading Policy, Diversity and Inclusion Policy, Safety and Wellbeing Policy and the Sustainable Insurance Policy.

The Company's corporate governance policies, practices and processes are contained in the Company's Risk Management Programme (**RMP**).

Strategy and Culture

The Company's purpose is building futures and protecting what matters.

The Company's ambition – as part of Suncorp Group – is to be the leading Trans-Tasman insurer (that is recognised globally).

The Company's strategy – aligned to the Suncorp Group strategy – is to create a sustainably growing and stronger New Zealand insurance business with connected customer experiences.

Key enablers are delivering our people strategy (creating an environment for people to thrive and a workforce reimagined), continuing to improve our agile ways of working and building people capabilities in agile and adaptive leadership, and a culture focused on caring for others, being courageous and doing the right thing.

Corporate Responsibility

The Company believes its growth and success is only possible within a healthy and sustainable economy, society and environment. The Company seeks to deliver both financial and non-financial value to its customers, partners and communities. This means addressing the environmental, social, economic and governance risks and opportunities that the Company faces as a business. The Company's corporate sustainability framework is based on four key principles: trust and transparency; responsible financial services; resilient people and communities; and sustainable growth.

Corporate governance statement (continued)

Action on Climate Change

During FY24, Suncorp has continued to develop its climate change response. It has:

- Developed a specific Climate Governance and Reporting Framework which sets out the key decision - making paths and business practices which enables it to integrate climate-related issues into regular business disciplines and processes;
- Undertaken climate change scenario analysis; and
- Taken further steps to integrate climate change into our risk framework.

Diversity and Inclusion

Suncorp Group's goal is to be one of the most inclusive places to work in Australia and New Zealand, because our people, customers and communities all benefit from a fairer and more inclusive culture.

The Suncorp NZ Sustainability and Diversity Committee assists the Company in delivering these objectives by:

- Developing and overseeing a diversity strategy for the NZ businesses;
- Recommending initiatives to support greater gender diversity, gender pay equality, mature age employees, cultural diversity and inclusivity;
- Tracking progress via agreed targets and regular scorecards; and
- Promoting and championing diversity.

The Suncorp NZ Sustainability and Diversity Committee is chaired by the Suncorp New Zealand Chief Executive Officer. A Vero Liability representative is a member of this committee.

Independent Auditor's Report

To the Shareholder of Vero Liability Insurance Limited (**Company**)

Report on the audit of the financial statements

Opinion

We have audited the accompanying Company financial statements which comprise:

- the statement of financial position as at 30 June 2024;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including material accounting policy information and other explanatory information

In our opinion, the accompanying financial statements of Vero Liability Insurance Limited (the **Company**) on pages 14 to 54 present fairly, in all material respects:

i. the Company's financial position as at 30 June 2024 and its financial performance and cash flows for the year ended on that date;

ii. in accordance with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**) issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (**ISAs (NZ)**). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

Our firm has also provided other services to the Company in relation to assurance engagements on the 31 March 2024 Insurer Solvency Return and the 30 June 2024 Annual Solvency Return. Subject to certain restrictions, partners and employees of our firm may also deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. These matters have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interest in, the Company.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period.

We summarise below those matters and our key audit procedures to address those matters in order that the Shareholder as a body may better understand the process by which we arrived at our audit opinion.

Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit

Transition to NZ IFRS 17 and restated opening balances at 1 July 2022 and comparative balance at 30 June 2023

Equity + $9.2 million

Refer to Notes 2 and 26.18 to the financial statements.

NZ IFRS 17: Insurance Contracts (**"NZ IFRS 17"** and the "**Standard"**) became effective for the Company from 1 July 2023, replacing the existing accounting standard NZ IFRS 4: *Insurance Contracts*.

NZ IFRS 17 introduced new requirements for the accounting for insurance and reinsurance contracts, increasing the need for interpretation and judgement, as well as introducing significant changes to the format of financial statements.

On transition to NZ IFRS 17, comparative financial information has been restated at both 1 July 2022 (opening balance) and 30 June 2023 (comparative period) applying the retrospective transition approach. The adoption of NZ IFRS 17 resulted in an increase in equity of $9.2m on initial application as at 1 July 2022 as detailed in the Statement of Changes in Equity.

The transition to NZ IFRS 17 is a key audit matter due to the inherent complexity of adopting this Standard for the first time and the judgement required to develop accounting policies and determine the appropriate valuation method. The judgements made have the potential to significantly impact the financial results of the Company and its key performance indicators.

We focused on:

- The application of the Premium Allocation Approach ("PAA") measurement model and eligibility;
- The framework applied to identify facts and circumstances that might indicate onerous contracts at initial recognition, and the methodology and assumptions applied to test contracts for onerousness;
- The methodology and assumptions in respect of determining the risk adjustment;
- The methodology used by management to determine discount rates, including the illiquidity premium; and

We involved our actuarial specialists and performed audit procedures, which included:

- Assessing whether the new accounting policies and practices were in accordance with NZ IFRS 17, and challenging significant new accounting policies, decisions and assumptions made against the requirements of the Standard.
- Applying industry knowledge to compare the methodologies, models and assumptions used against expected market practice and the requirements of the Standard.
- Evaluating the PAA eligibility analysis for insurance and reinsurance contracts.
- Evaluating the methodology used to determine the risk adjustment.
- Evaluating the framework to identify onerous contracts and assessing management's methodology and assumptions applied in calculating the loss component and loss recovery component (where applicable).
- Assessing the discount rate, including the illiquidity premium, applied against the requirements of the Standard and comparing to external market data where available.
- Assessing the adjustments made to the previously reported NZ IFRS 4 balances as at 1 July 2022 and 30 June 2023 for completeness and accuracy and reconciling those adjustments to the outputs of the NZ IFRS 17 models to check the transition adjustments and restatement of comparative balances are accurately reflected in the financial statements.
- Assessing the reasonableness of the transition disclosures in the financial statements against the requirements of NZ IFRS 17.

The key audit matter	How the matter was addressed in our audit
• The completeness and adequacy of transition disclosures required by NZ IFRS 17.	

Valuation of insurance contract liabilities and associated reinsurance contract assets

Insurance contract liabilities	**$202.4 million**
Reinsurance contract assets	**$78.8 million**

Refer to Notes 2 and 9 to the financial statements.

The Company's insurance contract liabilities and associated reinsurance assets represent financially significant balances. Insurance contract liabilities comprise the liability for incurred claims (**LIC**) and the liability for remaining coverage (**LRC**), and associated reinsurance assets comprise assets for incurred claims (**AIC**) and assets for remaining coverage (**ARC**). Insurance contract liabilities and reinsurance contract assets are measured under NZ IFRS 17, and the Company has adopted the Premium Allocation Approach (**PAA**) for measurement.

The LIC and AIC comprise fulfilment cash flows related to past services provided under groups of insurance contracts which have not yet been paid, including claims that have been incurred but not yet reported (**IBNR**) and claims incurred but not enough reported (**IBNER**). This balance is inclusive of a risk adjustment for non-financial risk, and the effects of discounting.

The liability for incurred claims reflects the Company's Appointed Actuary's assessment of future expected outcomes, requiring application of actuarial methods, models and assumptions.

The valuation of insurance contract liabilities and associated reinsurance assets are key audit matters as they involve significant judgement to be applied by the Company and by us given the high degree of uncertainty inherent in challenging the estimation of the liability of incurred claims and asset for incurred claims, comprising of the present value of future cashflows related to past services provided and a risk adjustment.

We involved our actuarial specialists and performed audit procedures, which included:

- Identifying and assessing management's judgements and process to determine the key methodologies and assumptions, including the governance process, over:
  - PAA eligibility testing;
  - Onerous contract measurement models;
  - Selection of claims development factors;
  - Selection of loss ratios and expected loss ratios;
  - Determination of discount rates including illiquidity premium; and
  - Calculation of the risk adjustment.
- Testing key accounting and actuarial controls over the integrity of data underpinning the insurance contract liabilities and reinsurance contract assets, including IT general and application controls.
- Assessing management's application of the PAA method.
- Evaluating the framework to identify onerous contracts and assessing management's methodology and assumptions applied in calculating the loss component and loss recovery component (where applicable).
- Selecting a sample of written premiums, case estimates and claim payments to check the accuracy of the data to source documentation, including financial and non-financial attributes used by the Company's Appointed Actuary to form valuation assumptions.
- Assessing the appropriateness of case reserves at balance date and considering if they reflected best estimate of the costs to be incurred on reported incurred claims.
- Performing independent reprojections of management's calculation of incurred claims liabilities.
- Assessing the selection of methods and key assumptions applied in the valuation of incurred claims liabilities, including any changes from previous periods. We challenged actuarial methods and key assumptions by:

The key audit matter	How the matter was addressed in our audit
	– Analysing the accuracy of previous estimates and consideration of Actual versus Expected claims analysis; – Comparing key assumptions to the broader insurance industry, and previous periods; and – Comparing claims assumptions in setting the incurred but not reported reserve based on historical experience to previous and current period claims experience. • Assessing the Company's risk adjustment methodology and the assumptions used. • Testing reinsurance recoveries recognised in the financial statements on a sample basis aligns with the terms of the underlying contracts, and the amount of the respective incurred claims liabilities, and assessing the provision for reinsurer non-performance risk. • Evaluating the adequacy of financial statement disclosures in accordance with the requirements of NZ IFRS 17 and reconciling the disclosures to underlying accounting records and supporting actuarial data.

Other information

The Directors, on behalf of the Company, are responsible for the other information included in the Company's Financial Report. The other information includes the Directors' Report and the Corporate Governance Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

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

Use of this independent auditor's report

This independent auditor's report is made solely to the Shareholder as a body. Our audit work has been undertaken so that we might state to the Shareholder those matters we are required to state to them in the independent 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 Shareholder as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with NZ IFRS issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability of the Company to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objective is:

- 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 independent 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these financial statements is located at the External Reporting Board (XRB) website at:

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

This description forms part of our independent auditor's report.

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

For and on behalf of

KPMG

KPMG
Auckland

13 August 2024

Statement of comprehensive income
for the financial year ended 30 June 2024

	Note	2024 $'000	Restated 2023 $'000
Insurance revenue	4, 9	**151,756**	146,714
Insurance service expenses	4, 9	**(68,174)**	(94,850)
Insurance service result before reinsurance contracts held	4	**83,582**	51,864
Net expenses from reinsurance contracts held	5, 9	**(35,751)**	(6,605)
Insurance service result		**47,831**	45,259
Interest income on financial assets at fair value through profit or loss		**9,022**	6,845
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss		**4,549**	(668)
Net investment gain	6	**13,571**	6,177
Insurance finance expenses for insurance contracts issued	8	**(8,473)**	(2,188)
Reinsurance finance income for reinsurance contracts held	8	**3,620**	478
Net insurance/reinsurance finance expense		**(4,853)**	(1,710)
Net insurance financial result	8	**56,549**	49,726
Other operating expenses		**(196)**	(602)
Other finance costs		**(313)**	(69)
Total other income and expense		**(509)**	(671)
Profit before tax		**56,040**	49,055
Income tax expense	11	**(15,753)**	(13,803)
Profit for the year		**40,287**	35,252
Other comprehensive income		**-**	-
Total comprehensive income for the year		**40,287**	35,252

The Company adopted NZ IFRS17 from 1 July 2023 and has restated the corresponding comparative period. The impacts of adoption are detailed in note 26.18.

The statement of comprehensive income is to be read in conjunction with the accompanying notes.

Statement of financial position as at 30 June 2024

	Note	2024 $'000	Restated 2023 $'000	Restated 1 Jul 22 $'000
Assets				
Cash and cash equivalents	12	**11,900**	7,906	8,246
Receivables and other assets	13	**1,701**	2,093	1,006
Investment securities	7	**199,667**	198,803	180,453
Reinsurance contract assets	9	**78,840**	84,766	73,713
Property, plant and equipment and leases	22	**6,010**	6,574	2,411
Deferred tax assets	11.4	**2,434**	2,550	1,494
Intangible assets	14	**5,355**	3,849	2,405
Total assets		**305,907**	306,541	269,728
Liabilities				
Payables and other liabilities	15	**19,066**	19,673	6,606
Current tax liabilities	11.3	**16,167**	3,576	3,998
Insurance contract liabilities	9	**202,443**	203,223	183,270
Provisions	25	**2,500**	2,590	2,487
Deferred tax liabilities	11.4	**4,246**	8,181	6,622
Total liabilities		**244,422**	237,243	202,983
Net assets		**61,485**	69,298	66,745
Equity				
Share capital	16	**15,047**	15,047	15,047
Retained profits		**46,438**	54,251	51,698
Total equity		**61,485**	69,298	66,745

The Company adopted NZ IFRS17 from 1 July 2023 and has restated the corresponding comparative period. The impacts of adoption are detailed in note 26.18.

The Board of Directors of Vero Liability Insurance Limited approved these financial statements for issue on 12 August 2024.

For, and on behalf of the Board

Director

Director

The statement of financial position is to be read in conjunction with the accompanying notes.

Statement of changes in equity
for the financial year ended 30 June 2024

	Note	Share capital $'000	Retained profits $'000	Total $'000
Balance as at 1 July 2022, as previously reported		15,047	42,467	57,514
Impact of initial application of NZ IFRS17	26.18	-	9,231	9,231
Balance as at 1 July 2022 (restated)		15,047	51,698	66,745
Profit for the year (restated)		-	35,252	35,252
Total comprehensive income for the year (restated)		-	35,252	35,252
Transactions with the owner, recorded directly in equity				
Dividends paid	3	-	(32,700)	(32,700)
Balance as at 30 June 2023 (restated)		15,047	54,251	69,298
Balance as at 1 July 2023 (restated)		**15,047**	**54,251**	**69,298**
Profit for the year		**-**	**40,287**	**40,287**
Total comprehensive income for the year		**-**	**40,287**	**40,287**
Transactions with the owner, recorded directly in equity				
Dividends paid	3	**-**	**(48,100)**	**(48,100)**
Balance as at 30 June 2024		**15,047**	**46,438**	**61,485**

The Company adopted NZ IFRS17 from 1 July 2023 and has restated the corresponding comparative period. The impacts of adoption are detailed in note 26.18.

The statement of changes in equity are to be read in conjunction with the accompanying notes.

Statement of cash flows
for the financial year ended 30 June 2024

	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Premiums received	9	**153,797**	147,937
Claims and other insurance services expenses paid	9	**(44,196)**	(45,621)
Interest received		**8,827**	6,458
Reinsurance recoveries received	9	**10,413**	18,029
Reinsurance premiums paid	9	**(46,229)**	(45,253)
Reinsurance commissions received	9	**9,611**	10,045
Acquisition costs paid	9	**(35,272)**	(32,687)
Income tax paid*	11.3	**(6,981)**	(13,722)
Finance costs paid		**(313)**	(69)
Other expense paid		**-**	(3)
Changes in other working capital balances		**4,883**	6,008
Net cash from operating activities	19	**54,540**	51,122
Cash flows from investing activities			
Proceeds from sale of investment securities		**161,691**	217,193
Payments for purchase of investment securities		**(161,708)**	(233,116)
Proceeds from sale of plant and equipment and capitalised software costs		**43**	140
Payments for purchases of plant and equipment and capitalised software		**(1,720)**	(2,066)
Net cash used in investing activities		**(1,694)**	(17,849)
Cash flows from financing activities			
Dividends paid to owner of the Company	3	**(48,100)**	(32,700)
Repayment of lease liabilities	22	**(752)**	(913)
Net cash used in financing activities		**(48,852)**	(33,613)
Net increase/(decrease) in cash and cash equivalents		**3,994**	(340)
Cash and cash equivalents at the beginning of the year		**7,906**	8,246
Cash and cash equivalents at the end of the year	12	**11,900**	7,906

*Income tax paid includes cash flows from tax offsets with related parties

The statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Reporting entity

Vero Liability Insurance Limited (the **Company**) is a company incorporated and domiciled in New Zealand. Its registered office is Level 13 Vero Centre, 48 Shortland Street, Auckland.

The Company is a profit oriented entity in the business of underwriting liability insurance and the investment and administration of insurance funds. It operates exclusively in the intermediated (through brokers) sector of the liability insurance market. It operates predominantly throughout New Zealand.

The Company's parent entity is Vero Insurance New Zealand Limited, with Suncorp Group Limited, a company incorporated in Australia, being the ultimate parent entity. Suncorp Group Limited and its subsidiaries are referred to as the **Suncorp Group**.

2. Basis of preparation

The Company is a for-profit entity and the financial statements have been prepared on the historical cost basis unless the application of fair value measurements or other measurements are required by the relevant accounting standards such as the measurement of financial instruments at fair value through profit or loss and the measurement of insurance and reinsurance contracts.

This is due to Insurance contract liabilities are not measured based on their fair value.

Material accounting policies applied in the preparation of these financial statements are set out in Note 26. Additionally, it should be noted that NZ IFRS17 Insurance Contracts has been adopted from 1 July 2023.

IFRS17 has been applied retrospectively to all insurance contracts issued and reinsurance contracts held on the transition date.

The reporting period is from 1 July 2023 to 30 June 2024.

These financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency. All values are rounded to the nearest thousand dollars **($'000)** unless stated otherwise.

The accompanying statement of financial position have been prepared using the liquidity format of presentation. Where it is not specified, disclosures relate to the Company.

These financial statements have been prepared on a going concern basis.

The impacts of climate change have been considered during the preparation of the financial statements and it has been concluded that there is no material impact to the carrying amounts of assets or liabilities.

2.1 Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (**NZ GAAP**). They comply with the New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**), and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. They also comply with International Financial Reporting Standards (**IFRS**). The Company is an FMC reporting entity for the purpose of the Financial Markets Conduct Act 2013 (**FMC Act**). The financial statements have been prepared in accordance with the requirements of the FMC Act, Companies Act 1993, Financial Reporting Act 2013 and the Insurance (Prudential Supervision) Act 2010.

2.2 New or amended standards which became mandatory and were adopted during the financial year

NZ IFRS17 Insurance Contracts, along with its interpretation, has been adopted and details are provided in note 26.18.

2.3 Comparative information

The Company adopted NZ IFRS17 from 1 July 2023 and has restated the corresponding comparative period. The impacts of adoption are detailed in note 26.18.

Certain amounts and presentations in the comparative information have been restated or reclassified to conform to changes in the current financial year.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

Significant estimates, judgments and assumptions are discussed in the following notes:

- Valuation of insurance and reinsurance contract liabilities and assets (refer to Note 9)
- Valuation of financial instruments carried at fair value (refer to Note 20)

Liabilities for incurred claims and associated reinsurance contract assets

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Claims reported to the Company at balance date are estimated with due regard to the claim circumstance as reported by the insured, legal representative, assessor, loss adjuster and/or other third party and then combined, where appropriate, with historical evidence on the cost of settling similar claims. Estimates of the cost of claims reported are reviewed regularly and are updated as and when new information arises.

The estimation of claims incurred but not reported (**IBNR**) and claims incurred but not enough reported (**IBNER**) are generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR and IBNER claims may often not be adequately reported until many years after the events giving rise to the claims occurred. Long-tail classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR and IBNER reserves.

In calculating the estimated cost of unpaid claims, the Company uses a variety of estimation techniques, generally based upon statistical analysis of historical and industry experience that assumes that the development pattern of the current claims will be consistent with past experience and/or general industry benchmarks as appropriate.

Allowance is made, however, for changes or uncertainties that may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims. The ultimate net liability for incurred claims also includes an additional risk adjustment which is the compensation the company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts.

Estimates of assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration any allowance for reinsurer non-performance risk.

Financial risk management

The Company has adopted prudent practices to manage liquidity risk and to ensure an adequate level of liquidity is maintained to meet obligations as they fall due across a wide range of operating circumstances.

3. Dividends

	2024		2023	
	¢ per share	$'000	¢ per share	$'000
Ordinary shares				
Final dividend	**202**	**30,300**	107	16,000
Interim dividend	**119**	**17,800**	111	16,700
Total dividends recognised in equity attributable to owners of the Company	**321**	**48,100**	218	32,700

4. Insurance service result before reinsurance contracts held

	2024 $'000	Restated 2023 $'000
Insurance revenue		
Contracts measured under the PAA	**151,756**	146,714
Total insurance revenue*	**151,756**	146,714
Insurance service expenses		
Incurred claims and other expenses	**(56,526)**	(55,870)
Insurance acquisition cash flows amortisation	**(34,888)**	(32,639)
Changes relating to past service: changes to liabilities for incurred claims	**23,240**	(6,341)
Total insurance service expenses	**(68,174)**	(94,850)
Insurance service result before reinsurance contracts held	**83,582**	51,864

*Total insurance revenue relates to contracts measured under the full retrospective approach at transition.

5. Net expenses from reinsurance contracts held

	2024 $'000	Restated 2023 $'000
Allocation of reinsurance premiums		
Contracts measured under the PAA	**(36,043)**	(34,013)
Total allocation of reinsurance premiums*	**(36,043)**	(34,013)
Amounts recoverable from reinsurers for incurred claims		
Recoveries of incurred claims and other service	**12,790**	13,020
Adjustments to assets for incurred claims	**(12,503)**	14,397
Effect of changes in the risk of reinsurers non-performance	**5**	(9)
Total amounts recoverable from reinsurers for incurred claims	**292**	27,408
Net expenses from reinsurance contracts held	**(35,751)**	(6,605)

*Total allocation of reinsurance premiums relates to contracts measured under the full retrospective approach at transition.

6. Net investment gain

	2024 $'000	2023 $'000
Investment gain on insurance funds	**11,237**	4,621
Investment gain on shareholder funds	**2,334**	1,556
Net investment gain	**13,571**	6,177

7. Investment securities

	2024 $'000	2023 $'000
Financial assets at fair value through profit or loss		
Interest bearing securities	**199,667**	198,803
Total investment securities	**199,667**	198,803

These financial assets are mandatorily measured at fair value through profit and loss (FVTPL). This is set out in note 26.8.

8. Net insurance financial result

	2024 $'000	Restated 2023 $'000
Insurance service result	**47,831**	45,259
Investment gain		
Interest income on financial assets at fair value through profit or loss	**9,022**	6,845
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	**4,549**	(668)
Net investment gain	**13,571**	6,177
Insurance finance expense		
Discount unwind on liabilities for incurred claims	**(8,171)**	(5,771)
Market rate adjustments on liabilities for incurred claims	**(302)**	3,583
Insurance finance expense	**(8,473)**	(2,188)
Reinsurance finance income		
Discount unwind on reinsurance assets on incurred claims	**3,498**	1,942
Market rate adjustments on reinsurance assets on incurred claims	**122**	(1,464)
Reinsurance finance gain	**3,620**	478
Net insurance financial result	**56,549**	49,726

9. Insurance and reinsurance contracts

	2024 $'000	Restated 2023 $'000
Liability for remaining coverage	**(30,808)**	(29,151)
Liability for incurred claims	**(171,635)**	(174,072)
Insurance contracts liabilities	**(202,443)**	(203,223)
Asset for remaining coverage	**13,183**	12,608
Asset for incurred claims	**65,657**	72,158
Reinsurance contract assets	**78,840**	84,766

9.1 Movement in insurance contract liabilities

The following reconciliations show how the carrying amounts of insurance contracts changed during the year as a result of cash flows and amounts recognised in the statement of comprehensive income.

	1 Jul 23 to 30 Jun 24				
	Liability for Remaining Coverage		Liability for Incurred Claims		
	Excluding Loss Component $'000	Loss Component $'000	Estimates of PV of future cash flows $'000	Risk adjustment for non-financial Risk $'000	Total $'000
Insurance contract liabilities at 1 Jul 23	**29,151**	**-**	**151,366**	**22,706**	**203,223**
Insurance Revenue*	**(151,756)**	**-**	**-**	**-**	**(151,756)**
Insurance Service Expenses					
Incurred claims and other expenses	-	-	51,691	4,835	56,526
Insurance acquisition cash flows amortisation	34,888	-	-	-	34,888
Changes relating to past service: changes to liabilities for incurred claims	-	-	(17,004)	(6,236)	(23,240)
Total Insurance Service Expenses	**34,888**	**-**	**34,687**	**(1,401)**	**68,174**
Insurance finance expenses for insurance contracts issued	**-**	**-**	**7,367**	**1,106**	**8,473**
Total changes in SOCI	**(116,868)**	**-**	**42,054**	**(295)**	**(75,109)**
Cash Flows					
Premiums Received	153,797	-	-	-	153,797
Claims and Other Expenses Paid	-	-	(44,196)	-	(44,196)
Insurance Acquistion Cash Flows	(35,272)	-		-	(35,272)
Total Cash Flows	**118,525**	**-**	**(44,196)**	**-**	**74,329**
Insurance contract liabilities at 30 Jun 24	**30,808**	**-**	**149,224**	**22,411**	**202,443**

*Insurance Revenue relates to contracts measured under PAA

	1 Jul 22 to 30 Jun 23 (restated)				
	Liability for Remaining Coverage		Liability for Incurred Claims		
	Excluding Loss Component $'000	Loss Component $'000	Estimates of PV of future cash flows $'000	Risk adjustment for non-financial Risk $'000	Total $'000
Insurance contract liabilities at 1 Jul 22	**27,976**	**-**	**135,038**	**20,256**	**183,270**
Insurance Revenue*	**(146,714)**	**-**	**-**	**-**	**(146,714)**
Insurance Service Expenses					
Incurred claims and other expenses	-	-	48,364	7,506	55,870
Insurance acquisition cash flows amortisation	32,639	-	-	-	32,639
Changes relating to past service: changes to liabilities for incurred claims	-	-	11,693	(5,352)	6,341
Total Insurance Service Expenses	**32,639**	**-**	**60,057**	**2,154**	**94,850**
Insurance finance expenses for insurance contracts issued	**-**	**-**	**1,892**	**296**	**2,188**
Total changes in SOCI	**(114,075)**	**-**	**61,949**	**2,450**	**(49,676)**
Cash Flows					
Premiums Received	147,937	-	-	-	147,937
Claims and Other Expenses Paid	-	-	(45,621)	-	(45,621)
Insurance Acquistion Cash Flows	(32,687)	-	-	-	(32,687)
Total Cash Flows	**115,250**	**-**	**(45,621)**	**-**	**69,629**
Insurance contract liabilities at 30 Jun 23	**29,151**	**-**	**151,366**	**22,706**	**203,223**

*Insurance Revenue relates to contracts measured under PAA

9.2 Movement in reinsurance contract assets

The following reconciliations show how the carrying amounts of reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the statement of comprehensive income.

	1 Jul 23 to 30 Jun 24				
	Asset for Remaining Coverage		Asset for Incurred Claims		
	Excluding loss recovery component $'000	Loss Recovery component $'000	Estimates of PV of future cash flows $'000	Risk adjustment for non-financial Risk $'000	Total $'000
Reinsurance contract assets at 1 Jul 23	12,608	-	62,943	9,215	84,766
Allocation of reinsurance premiums*	(36,043)	-	-	-	(36,043)
Amounts recoverable from reinsurers for incurred claims					
Recoveries of incurred claims and other service	-	-	11,610	1,180	12,790
Adjustments to assets for incurred claims	-	-	(9,954)	(2,549)	(12,503)
Effect of changes in the risk of reinsurers non-performance	-	-	5	-	5
Total amounts recoverable from reinsurers for incurred claims	-	-	1,661	(1,369)	292
Reinsurance finance income for reinsurance contracts held	-	-	3,148	472	3,620
Cash Flows					
Premiums paid net of ceding commissions and other expenses paid	36,618	-	-	-	36,618
Recoveries from reinsurance	-	-	(10,413)	-	(10,413)
Total Cash Flows	36,618	-	(10,413)	-	26,205
Reinsurance contract assets at 30 Jun 24	13,183	-	57,339	8,318	78,840

*Allocation of reinsurance premiums relates to contracts measured under PAA

	1 Jul 22 to 30 Jun 23 (restated)				
	Asset for Remaining Coverage		Asset for Incurred Claims		
	Excluding loss recovery component $'000	Loss Recovery component $'000	Estimates of PV of future cash flows $'000	Risk adjustment for non-financial Risk $'000	Total $'000
Reinsurance contract assets at 1 Jul 22	11,413	-	54,578	7,723	73,714
Allocation of reinsurance premiums*	(34,013)	-	-	-	(34,013)
Amounts recoverable from reinsurers for incurred claims					
Recoveries of incurred claims and other service	-	-	11,140	1,880	13,020
Adjustments to assets for incurred claims	-	-	14,850	(453)	14,397
Effect of changes in the risk of reinsurers non-	-	-	(9)	-	(9)
Total amounts recoverable from reinsurers for incurred claims	-	-	25,981	1,427	27,408
Reinsurance finance income for reinsurance contracts held	-	-	413	65	478
Cash Flows	-	-	-	-	
Premiums paid net of ceding commissions and other expenses paid	35,208	-	-	-	35,208
Recoveries from reinsurance	-	-	(18,029)	-	(18,029)
Total Cash Flows	35,208	-	(18,029)	-	17,179
Reinsurance contract assets at 30 Jun 23	12,608	-	62,943	9,215	84,766

*Allocation of reinsurance premiums relates to contracts measured under PAA

9.3 Claims development

The following table presents the net claims development for incurred claims incurred in the ten most recent accident years before the reporting period. The claims development table discloses amounts net of reinsurance and third-party recoveries to give the most meaningful insight into the impact on profit or loss. Short-tail claims are disclosed separately as they are generally subject to less uncertainty since they are normally reported soon after the incident and are generally settled within 12 months following the reported incident.

												2024
Accident year	**Prior**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of net ultimate claims cost (Long Tail):												
At end of accident year	188,581	21,029	23,441	24,628	24,414	27,920	28,913	30,504	33,713	33,876	35,029	472,048
One year later	188,581	25,475	24,180	24,531	26,874	27,842	24,850	28,552	32,368	29,783		433,036
Two years later	184,165	23,899	23,160	22,380	26,189	26,816	24,080	26,365	30,330			387,384
Three years later	184,247	24,052	21,765	22,707	26,250	26,004	23,259	27,376				355,660
Four years later	184,779	24,193	20,978	23,037	24,414	26,258	22,057					325,716
Five years later	182,600	22,803	20,176	22,893	23,401	23,666						295,539
Six years later	182,643	22,343	19,513	23,355	23,678							271,532
Seven years later	182,537	22,351	20,243	22,688								247,819
Eight years later	182,765	22,231	20,459									225,455
Nine years later	183,179	22,670										205,849
Current estimate of cumulative claims cost - Long Tail	182,712	22,670	20,459	22,688	23,678	23,666	22,057	27,376	30,330	29,783	35,029	440,448
Cumulative payments	182,247	21,317	19,729	21,446	20,997	18,793	14,967	15,146	14,401	10,472	4,195	343,710
Outstanding claims - undiscounted	465	1,352	729	1,243	2,681	4,873	7,090	12,230	15,929	19,312	30,834	96,738
Discount to present value	(3)	(47)	(47)	(129)	(336)	(629)	(911)	(1,644)	(2,174)	(2,690)	(4,248)	(12,858)
Outstanding claims - Long Tail (discount net)	462	1,305	682	1,114	2,345	4,244	6,179	10,586	13,755	16,621	26,586	83,879
Outstanding claims - Short Tail												-
Total net outstanding claims (A)												83,880
Claims handling expenses (B)												10,066
Non RI recoveries on outstanding claims												(3,595)
Gross risk adjustment (C)												22,410
RI recoveries on outstanding claims (D)												55,456
RI risk adjustment (E)												8,318
Other LIC attributable cash flows (F)												(177)
Other AIC attributable cash flows (G)												1,883
Liability for incurred claims (LIC) (A + B + C + D + F)												171,635
Asset for incurred claims (AIC) (D + E + G)												(65,657)
Net incurred claims (LIC - AIC)												105,978

9.4 Impact of changes in key variables relating to insurance contracts

The Company conducts sensitivity analyses to quantify the exposure to the risk of changes in the key underlying actuarial assumptions. A sensitivity analysis is conducted on each variable while holding all other variables constant. The table below describes how a change in each assumption will affect the profit before tax.

		Profit (Loss)			
		Gross		Net	
	Movement in variables	2024 $'000	Restated 2023 $'000	2024 $'000	Restated 2023 $'000
Weighted average term to settlement (years)	0.5	**(3,278)**	(3,248)	**(2,019)**	(1,884)
	-0.5	**3,218**	3,190	**1,982**	1,851
Inflation rate	1%	**(4,480)**	(4,456)	**(2,759)**	(2,585)
	-1%	**4,408**	4,387	**2,715**	2,545
Discount rate	1%	**4,530**	4,504	**2,790**	2,613
	-1%	**(4,695)**	(4,665)	**(2,892)**	(2,707)
Claim handling expense ratio	1%	**(1,566)**	(1,621)	**(965)**	(940)
	-1%	**1,566**	1,621	**965**	940
Risk adjustment	1%	**(1,494)**	(1,514)	**(939)**	(899)
	-1%	**1,494**	1,514	**939**	899

1 bps – basis points.

The impact on profit or loss before income tax due to changes in interest rate from investment in interest-bearing securities may partially offset the effect of changes in inflation and discount rates on liabilities for incurred claims. Refer note 21.3.3 (a) for the Company's risk management policies for interest rate risk exposures.

9.5 Maturity profile of insurance and reinsurance contracts

The following table summarises the maturity profile of the Company's insurance contract liabilities based on the present value estimate of future cash flows. Liabilities and assets for remaining coverage of contracts measured is excluded.

The Company uses information about the maturity profile of the present value of future cash flows to ensure that it has adequate liquidity to pay claims and expenses as they are due to be settled and to inform the Company's investment strategy.

	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total discounted cashflow
2024	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Insurance contracts liabilities - LIC	**(50,960)**	**(40,108)**	**(23,388)**	**(16,757)**	**(11,790)**	**(28,632)**	**(171,635)**
Reinsurance contract assets – AIC	**20,864**	**14,888**	**8,681**	**6,220**	**4,376**	**10,628**	**65,657**
2023 (Restated)							
Insurance contracts liabilities - LIC	(60,785)	(32,882)	(26,272)	(14,889)	(10,590)	(28,654)	(174,072)
Reinsurance contract assets – AIC	26,181	13,345	10,662	6,043	4,298	11,629	72,158

9.6 Significant judgements and estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

9.6 Significant judgements and estimates (continued)

a) Actuarial information

Nathan Lam, of The Quantium Group Pty Limited is the Appointed Actuary for the Company. Mr Lam is a Fellow of the New Zealand Society of Actuaries. Mr Lam has no financial interest in the Company.

According to section 77(1) of the Insurance (Prudential Supervision) Act 2010 (**IPSA**) the Appointed Actuary must review the actuarial information in, or used in the preparation of, the financial statements.

The incurred claims reserves disclosed for the Company 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 Mr Lam's advice is as at 30 June 2024.

The Appointed Actuary is satisfied that they have obtained all the information and explanations required. They are satisfied that the actuarial information has been used appropriately in the preparation of the financial statements and included appropriately in the financial statements.

In particular, the Appointed Actuary are satisfied as to the nature, sufficiency and accuracy of the data used to determine the liabilities for incurred claims. There were no qualifications contained in their respective actuarial advice. The key assumptions used in the compilations of the insurance contract liabilities as at 30 June 2024 have been outlined below in note 9.6(d).

In addition, the Company's Board Audit and Risk Committee (**BARC**) receives a Financial Condition Report (**FCR**) annually from the Appointed Actuary of the Company in accordance with the IPSA. The purpose of the FCR is to provide the Appointed Actuary's objective assessment of the Company's overall financial condition. It considers, among other things, the material risks facing the Company that, in the Appointed Actuary's opinion, pose a threat to its ability to remain financially solvent now and in the future.

b) Estimates of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company considers current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract. These include payments to policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting, and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- Claims handling, maintenance and administration costs;
- Recurring commissions payable on instalment premiums receivable within the contract boundary;
- Costs that the Company will incur in providing investment services;
- Costs that the Company will incur in performing investment activities to the extent that the Company performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- Income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

9.6 Significant judgements and estimates (continued)

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. The Company allocates insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts within each group. Other costs are recognised in the profit or loss as they are incurred.

c) Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company's substantive rights and obligations under the contract.

The contract boundary of Company's insurance and reinsurance contracts is set out in the table below.

Contract type	Contract boundary
Single premium business	Expiry of the contract
Reinsurance of insurance contracts	Expiry of contract, considering any unilateral break clause, risks attaching vs losses occurring cover, specific to each treaty.

d) Estimation of liabilities for incurred claims and asset for incurred claims

The estimation of the LIC is based on multiple actuarial techniques that analyse experience, trends and other relevant factors utilising the Company's specific data, relevant industry data and general economic data. Methods undertaken to determine incurred claims liabilities will vary according to the class of business.

The use of multiple actuarial methods assists in providing a greater understanding of the trends inherent in the historical data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method or a blend of methods is selected, considering the characteristics of the class of business and the extent of the development of each past accident period.

The Company's estimation of the LIC includes the expected future cost of claims notified to the Company as at reporting date as well as IBNR and IBNER. Projected payments are discounted to present value and an estimate of direct attributable expenses expected to be incurred in settling these claims is determined.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its liability for incurred claims, with estimates and judgments continually being evaluated and updated based on historical experience and other factors. However, given the uncertainty in the estimation process, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims IBNR and claims IBNER is generally subject to a greater degree of uncertainty with claims often not being adequately reported until many years after the events giving rise to the claims have happened. For this reason, long-tail classes of business will typically display greater variations between initial estimates and final outcomes.

Estimation of the AIC is also calculated using the above methods. The recoverability is assessed on a periodic basis, taking into consideration factors such as counterparty and credit risk and any irrecoverability is recognised through the reinsurance non-performance risk.

9.6 Significant judgements and estimates (continued)

The following key assumptions have been applied in determining the LIC:

	2024	2023
Weighted average term to settlement (years)	**3**	3
Discount rate	**5.0%**	5.1%
Claims handling expense ratio	**12.0%**	10.0%
Risk adjustment	**15.0%**	15.0%

Weighted average term to settlement

The weighted average term to settlement is the projected term to final claim payment. The term to settlement is calculated separately by class of business and is based on historical settlement pattern.

Claims handling expense ratio

Claims handling expense ratio is calculated with reference to past experience of claims handling costs as a percentage of past payments.

Method of estimating discount rates

To calculate the discount rate, a bottom-up approach is applied, whereby the risk-free yield curve is adjusted to reflect the liquidity characteristics of the insurance cash flows through the addition of an illiquidity premium (ILP) which will increase the discount rate. The derivation of ILP comprises a market ILP and an illiquidity ratio which adjusts the market ILP to reflect the liquidity characteristics of the Company's insurance and reinsurance contracts.

	2024					2023				
	1 year	2 years	3 years	4 years	5+ years	1 year	2 years	3 years	4 years	5+ years
Insurance contracts liabilities	5.65%	5.19%	4.98%	4.89%	5.11%	5.81%	5.55%	5.15%	5.00%	5.05%
Reinsurance contracts assets	5.65%	5.19%	4.98%	4.89%	5.11%	5.81%	5.55%	5.15%	5.00%	5.05%

Method of estimating the risk adjustment

The Company has adopted an approach to calculate the risk adjustment informed by a cost of capital model, which is sensitive to changes in claims mix, discount rate, reinsurance arrangements, and the Company's internal view of the level of capital required in order to meet regulatory requirements and the Company's performance targets. The risk adjustment is then calculated to be the amount that must be added to the central estimate of the insurance liabilities, such that the probability that the actual outcome will be less than the liability (including the risk adjustment). A 75% probability of adequacy is determined by the Company to calibrate the risk adjustment as at 30 June 2024 (30 June 2023: 75%) which is consistent with the probability of adequacy prescribed by Reserve Bank of New Zealand (**RBNZ**) to meet regulatory capital requirement.

The changes in the risk adjustment due to the effect of the time value of money and changes in the time value of money are disaggregated and presented in 'Insurance finance income / expense' in the Statement of Comprehensive Income.

Other significant judgements

The core actuarial methods used within the valuation, and those used to determine the final claims liabilities as part of the valuation, all implicitly assume that inflation will be consistent with what has historically been observed.

The appropriateness of this assumption has been reviewed, particularly in light of the high levels of inflation observed in New Zealand and internationally over the last 12-24 months. There is no evidence of high levels of claims cost inflation impacting the Company. Therefore, it is not necessary to make any explicit allowances for higher levels of inflation within the actuarial models or assumptions.

10. Profit before tax

	2024 $'000	2023 $'000
Profit before tax is arrived at after charging the following specific items:		
Contributions to defined contribution superannuation schemes	**497**	551
Depreciation on property, plant and equipment	**1,155**	1,007
Employee benefits	**9,357**	9,055
Gain on disposal of property, plant and equipment	**(35)**	(22)
Other expenses	**43**	-

11. Income tax

11.1 Income tax expense

	2024 $'000	Restated 2023 $'000
Profit before tax	**56,040**	49,055
Prima facie income tax @ 28% (2023: 28%)	**(15,691)**	(13,735)
Movement in income tax (expense)/benefit due to:		
Non-deductible expenditure	**(59)**	(54)
Adjustment for prior financial years	**(3)**	(14)
Income tax (expense)/benefit	**(15,753)**	(13,803)
Income tax (expense)/benefit recognised in profit consists of:		
Current tax (expense)/benefit		
Current year	**(19,571)**	(13,287)
Adjustments for prior financial years	**(1)**	(13)
	(19,572)	(13,300)
Deferred tax (expense)/benefit		
Current year	**3,821**	(502)
Adjustments for prior financial years	**(2)**	(1)
	3,819	(503)
Income tax (expense)/benefit	**(15,753)**	(13,803)

11.2 Imputation credits

	2024 $'000	Restated 2023 $'000
SGHNZL ICA Group	**611,106**	554,351
Imputation credits available for use in subsequent reporting periods	**611,106**	554,351

The Company is a member of the Suncorp Company Holdings (NZ) Limited consolidated imputation credit account group (**SGHNZL ICA Group**) and together with the other members has access to the accumulated imputation credits contained within the SGHNZL ICA Group.

11.3 Current tax

	2024 $'000	Restated 2023 $'000
Balance at the beginning of the financial year	**(3,576)**	(3,998)
Income tax paid	**59**	9,702
Current year tax on operating profit (Note 11.1)	**(19,571)**	(13,287)
Adjustment for prior financial years (Note 11.1)	**(1)**	(13)
Transfers between related parties	**6,922**	4,020
Balance at the end of the financial year	**(16,167)**	(3,576)

11.4 Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	2024 $'000	Restated 2023 $'000
Deferred tax assets are attributable to		
Depreciable assets	**46**	65
Employee benefits	**680**	710
Provisions	**58**	16
Payables and other liabilities	**13**	20
Lease liability*	**1,637**	1,739
Total deferred tax assets	**2,434**	2,550
Deferred tax liabilities are attributable to		
Deferred insurance acquisition cashflow	**(2,737)**	(2,615)
Right of use asset*	**(1,509)**	(1,686)
Other**	**-**	(3,880)
Total deferred tax liabilities	**(4,246)**	(8,181)
Net deferred tax liabilities	**(1,812)**	(5,631)
Movements		
Deferred tax assets		
Balance at the beginning of the financial year	**2,550**	1,494
Movement recognised in profit or loss	**(116)**	1,056
Balance at the end of the financial year	**2,434**	2,550
Deferred tax liabilities		
Balance at the beginning of the financial year	**(8,181)**	(6,622)
Movement recognised in profit or loss	**3,935**	(1,559)
Balance at the end of the financial year	**(4,246)**	(8,181)

*Deferred tax assets and deferred tax liabilities on leases have been disclosed separately as required by the amendments to NZ IAS 12 on full retrospective basis as at 1 July 2022.

**Other in deferred tax liabilities represents the deferred tax effect of the increase in taxable income as a result of NZ IFRS 17 transition on full retrospective basis as at 1 July 2022.

12. Cash and cash equivalents

	2024 $'000	2023 $'000
Cash at bank and on hand	**7,500**	1,468
Shared property reinstatement deposits	**-**	-
Cash held within investment portfolios	**4,400**	6,438
Total cash and cash equivalents	**11,900**	7,906

13. Receivables and other assets

	2024 $'000	Restated 2023 $'000
Receivables and other assets		
Amounts due from related parties (Note 23.2)	**20**	-
Accrued interest	**1,577**	1,382
Investment receivable	**76**	698
Other assets	**3**	3
Prepayments	**25**	10
Total receivables and other assets	**1,701**	2,093
Current	**1,701**	2,093
Total receivables and other assets	**1,701**	2,093

14. Intangible assets

Intangible assets consist of computer software. Computer software is deemed to have a finite life and is amortised at a rate of 20%-33% per annum on a straight line basis.

	2024 $'000	2023 $'000
At 1 July		
Cost	**5,507**	4,063
Accumulated amortisation and impairment	**(1,658)**	(1,658)
Balance at the beginning of the financial year	**3,849**	2,405
Additions	**1,506**	1,444
Balance at the end of the financial year	**5,355**	3,849
At 30 June		
Cost	**7,013**	5,507
Accumulated amortisation and impairment	**(1,658)**	(1,658)
Balance at the end of the financial year	**5,355**	3,849

15. Payables and other liabilities

	2024 $'000	Restated 2023 $'000
Payables and other liabilities		
Amounts due to related parties (Note 23.2)	**8,873**	5,904
Investment settlements	**375**	4,698
Lease liability (Note 22)	**5,843**	6,210
Other liabilities	**256**	219
Trade creditors and accrued expenses	**763**	604
GST payable	**2,956**	2,038
Total payables and other liabilities	**19,066**	19,673
Current	**14,059**	14,202
Non-current	**5,007**	5,471
Total payables and other liabilities	**19,066**	19,673

16. Share capital

	2024 Shares No. (000)	2024 Shares $'000	2023 Shares No. (000)	2023 Shares $'000
Issued and fully paid ordinary shares	**15,000**	**15,000**	15,000	15,000
Shareholder contribution under equity settled employee share plans	**-**	**47**	-	47
Total share capital	**15,000**	**15,047**	15,000	15,047

The Company does not have authorised capital or par value in respect of its issued shares. All shares are fully paid. All shares rank equally with one vote attached to each fully paid ordinary share.

As at 30 June 2024, the Company had 15,000,100 ordinary shares with no par value issued to Vero Insurance New Zealand Limited (2023: 15,000,100).

17. Capital management

17.1 Capital management policies and objectives

The Company is part of the Suncorp Company, and therefore alignment with Suncorp Group strategies and policies is desirable, where appropriate. The capital management strategy of the Suncorp Company is to optimise shareholder value, having regard to the need to hold sufficient capital to protect the interests of policy holders, and comply with relevant regulatory requirements, by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite.

The Company is a licensed insurance company in accordance with the IPSA. The company manages their capital in accordance with the requirements of IPSA and the Interim Solvency Standard (the Solvency Standard) issued by the Reserve Bank of New Zealand. The Company has an Internal Capital Adequacy Assessment Process (ICAAP), which provides a framework to ensure that it is capitalised to meet internal and external requirements. The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the capital needs and risk profiles of the company.

The Company is required to maintain solvency margins of at least $0, i.e. solvency capital as determined under the Solvency Standard should be at or above the adjusted prescribed capital requirement. The actual amount retained as solvency capital and determined by the Directors of the Company as appropriate to ensure their financial soundness, and the basis for determining the amount are set out below.

The Company satisfied all externally imposed capital requirements which it was subject to during the year ended 30 June 2024.

The Company has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the Solvency Standard.

The Company's Board Audit and Risk Committees oversee capital computations and maintain optimal capital structure by advising the Board on dividend payments and share issues. In addition, the Company manages its required level of capital through analysis and optimisation of the product and asset mix, reinsurance program, catastrophe exposure and investment strategy.

17.2 Capital composition

The Company manages its capital by considering both regulatory and economic capital. The source of capital used by the Company is total equity attributable to owners. Total equity attributable to owners is included in the definition of "capital" in the Solvency Standard.

Regulatory capital

Regulatory capital is made up of two components, solvency capital and the adjusted prescribed capital requirement with the difference representing the adjusted solvency margin. The calculation of the adjusted solvency margin for the Company is detailed below:

	2024 $'000
Solvency capital	**73,580**
Adjusted prescribed capital requirement	**38,391**
Adjusted solvency margin	**35,189**
Adjusted solvency ratio	**1.92**

17.2 Capital composition (continued)

The prior year solvency position disclosed is not comparable to the current year position. The prior year position presented is the solvency position under the previous solvency standard, the Solvency Standard for Non-life Insurance Business 2014 which was in force at 30 June 2023.

	2023 $'000
Actual solvency	**54,701**
Minimum solvency capital	**22,725**
Solvency margin	**31,976**
Solvency ratio	**2.41**

18. Credit rating

The Company has received an AA- credit rating from Standard & Poor's (2023: AA-) which provides an indication of the Company's ability to pay current and future claims.

19. Notes to the statement of cash flows

	2024 $'000	Restated 2023 $'000
Profit for the year	**40,287**	35,252
Non-cash/operating activity items		
Movement in financial assets at fair value through profit or loss (Note 8)	**(4,548)**	667
Depreciation and amortisation expense (Note 10)	**1,155**	1,007
Gain on disposal of plant and equipment (Note 10)	**(35)**	(22)
Change in assets and liabilities		
Increase in receivables and other assets	**(230)**	(389)
Decrease/(increase) in reinsurance contract assets	**5,926**	(11,053)
(Decrease)/increase insurance contract liabilities	**(780)**	19,953
Decrease/(increase) in deferred tax assets	**116**	(1,056)
Increase in payables and other liabilities	**4,083**	5,522
Increase/(decrease) in current tax liabilities	**12,591**	(422)
(Decrease)/increase in deferred tax liabilities	**(3,935)**	1,559
(Decrease)/increase in provisions	**(90)**	103
Net cash from operating activities	**54,540**	51,121

20. Financial instruments

20.1 Comparison of fair value to carrying amounts

Investment securities are recognised and measured at fair value and therefore their carrying value equates to their fair value.

Investments traded in an active market are valued at the closing quoted market price. The significant majority of other investments are valued using independently sourced valuations that do not involve the exercise of judgement by management.

Financial assets and liabilities that are not recognised and measured at fair value include cash and cash equivalents, receivables and other assets and payables.

20.2 Fair value hierarchy

Financial assets and liabilities that are recognised and measured at fair value are categorised by a hierarchy which identifies the most significant input used in the valuation methodology:

- Level 1 – derived from quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2 – derived from other than quoted prices included within Level 1 that are observable for the financial instruments, either directly or indirectly.
- Level 3 – fair value measurement is not based on observable market data.

The Level 2 securities held by the Company represent investment securities valued using a market comparison technique. For investment securities the fair value is calculated using observable inputs from a non-active market for an identical security with the valuation reflecting the exit price for the security.

Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
As at 30 June 2024				
Financial assets				
Investment securities	-	**199,667**	-	**199,667**
Total	-	**199,667**	-	**199,667**
As at 30 June 2023				
Financial assets				
Investment securities	12,165	186,638	-	198,803
Total	**12,165**	**186,638**	-	**198,803**

There have been some material transfers between Level 1 and Level 2 during the year ended 30 June 2024 for the Company.

20.3 Accounting classification

The carrying amount of financial assets and liabilities shown in the statement of financial position are as follows:

2024	Financial Assets at Fair Value $'000	Financial Assets at Amortised Cost $'000	Financial Liabilities at Amortised Cost $'000	Carrying amount $'000
Cash and cash equivalents	-	**11,900**	-	**11,900**
Receivables and other assets*	-	**1,701**	-	**1,701**
Investment securities	**199,667**	-	-	**199,667**
	199,667	**13,601**	-	**213,268**
Payables and other liabilities*	-	-	**(16,109)**	**(16,109)**
2023 (restated)				
Cash and cash equivalents	-	7,906	-	7,906
Receivables and other assets* (restated)	-	2,093	-	2,093
Investment securities	198,803	-	-	198,803
	198,803	9,999	-	208,802
Payables and other liabilities*	-	-	(17,635)	(17,635)

* Receivables and other assets exclude GST receivable which is not a financial asset as it is created as a result of statutory requirements as opposed to being a contractual obligation. Payables and other liabilities exclude GST payable which is not a financial liability as it is created as a result of statutory requirements as opposed to being a contractual obligation.

Notes to the financial statements (continued)

21. Risk management

21.1 Risk management overview

The Company's Board has ultimate responsibility for risk management and is assisted by the Board Audit and Risk Committee **(BARC)** in its oversight of material risk categories and adherence to Board approved risk appetite and risk policies. The Company's management apply the three lines of defence model for risk management as follows:

Line of Defence	Responsibility of	Accountable for
First	All employees	Identifying, assessing and managing risk within risk appetite and policy and framework requirements.
Second	Chief Risk Office of the Company	Owning and monitoring the application of risk frameworks, and measures and reports on risk performance and compliance. Is independent from the first line.
Third	Internal audit function	Independent assurance over internal controls and risk management practices.

The material risks managed by the Company include strategic, financial, insurance, operational and compliance risks:

Key risks	Definition
Strategic risk	The risk that the Company's business model or strategy is not viable due to external change and the risk of failed execution of the strategy.
Financial – Credit, counterparty and contagion risk	The risk that the other party in an agreement will default / will not meet its contractual obligations in accordance with agreed terms. Contagion risk is the risk that problems impacting one entity within the Suncorp Group may compromise the financial position of other entities within the Suncorp Group.
Financial - Liquidity risk	The risk that the Company will be unable to service its cash flow obligations today or in the future.
Financial - Market/investment risk	The risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, inflation, commodity prices, and market volatilities.
Financial - Asset and liability risk	The risk of adverse movements in the relative value of assets and liabilities due to changes in market factors (e.g. interest rates, inflation, FX), the variation in repricing profiles or from the different characteristics of the assets and liabilities.
Insurance risk	The risk that for any class of risk insured, the present value of actual claims payable will exceed the present value of actual premium revenues generated (net of reinsurance). This includes product design, pricing, reinsurance, underwriting, claims and reserving risks.
Operational risk	The risk of loss resulting from inadequate or failed internal processes and systems, errors by our people or from external events. This includes legal risk, but excludes strategic and reputational risks.
Compliance risk	Managing compliance risk ensures our legislative, regulatory and industry code obligations are met. Compliance risk must be considered as part of identifying and assessing operational risks. Compliance and operational risks management practices are embedded in the risk, obligations and controls assessment review process and the dynamic risk assessment process that supports the Company's objective to prevent and detect compliance breaches.

21.1 Risk management overview (continued)

An integral part of managing all risks is managing conduct risk. The Company recognises that a strong organisational culture which aligns with our Being @ Suncorp Behaviours and our three Cultural Principles; Doing the Right Thing, Being Courageous, and Caring for Others are key enablers to managing conduct risks and maximising the outcomes for our customers, shareholders and our people. The Company has implemented a Conduct Risk Management Programme to provide a structured approach to conduct related matters.

The Company has a number of Management Committees in place to execute specified responsibilities in the risk framework.

These committees include an Asset and Liability Committee (**ALCO**), a Non-Financial Risk Committee (**NFRC**), Customer Conduct Committee (**CCC**), and Vero Liability Management, Governance and Technical Committees.

The primary role of the ALCO is to oversee the adequacy of balance sheets and regulatory capital of specified New Zealand registered Suncorp entities (including the Company) and oversee key financial risks to ensure that exposure is managed within the Board approved risk appetite or parameters.

The NFRC provides governance over the management of non-financial risks to ensure that exposure is managed within the Board approved risk parameters. Non-financial risks include Insurance Risk, Compliance Risk, Conduct Risk, Operational Risk (includes Project, Cyber and Technology risks) and Strategic Risk.

The CCC exists to assist senior management who oversee the management of conduct risk impacting on customers from an 'end-to-end' perspective, and make recommendations for improving customer outcomes and mitigating conduct risk.

Further information on the application of the Company's risk management practices is presented in the following sections:

- Note 21.2 Insurance risk management;
- Note 21.3 Risk management for financial instruments. Financial instrument risk is not assessed on a look through basis.

21.2 Insurance risk management

21.2.1 Policies and practices for mitigating insurance risk

Controls are implemented to manage the following components of insurance risk:

- pricing, including pricing strategies, technical pricing and pricing adequacy reviews;
- roles and responsibilities for pricing, the development and approval of new products and changes to existing products;
- processes that identify and respond to changes in the internal and external environment impacting insurance products;
- underwriting, including processes to consider aggregate exposures from a portfolio perspective to determine the actual exposure to particular risks or an event, monitoring of significant accumulation and concentration of risk, and guidelines around the utilisation of reinsurance in pricing and underwriting;
- delegated authorities (via the business licence framework) to control underwriting risk at a policy and portfolio level;
- delegated authorities for the acceptance, assessment and settlement of claims including operational and ex-gratia authority limits;
- procedures relating to the notification, assessment, evaluation, settlement and closure of claims, and processes to detect and reduce loss associated with claims risk; and

21.2 Insurance risk management (continued)

- reserving practices and procedures at individual claim and portfolio level.

Concentration of insurance risk is mitigated through diversification over classes of insurance business, industry segments and the use of reinsurer coverage. In relation to the use of reinsurer coverage catastrophe and facultative reinsurance, contracts are purchased to ensure that any accumulation of losses from a single event or series of events is mitigated.

21.2.2 Terms and conditions of insurance business

Insurance contracts are generally entered into on an annual basis and at the time of entering into a contract all terms and conditions are negotiable or, in the case of renewals, renegotiated. Non-standard and long-term policies may only be written if expressly approved by a relevant delegated authority. There are no special terms and conditions in any non-standard contracts that would have a material impact on the financial statements.

21.2.3 Credit risk

The Company is exposed to and manages the following key sources of insurance credit risk:

Key sources of insurance credit risk	How are these managed
Insurance premium receivables	Payment default will result in the termination of the insurance contract with the policyholders, eliminating both the credit risk and insurance risk for the unpaid balance. Where business is written through intermediaries, limited credit is provided under the terms and conditions of the agreement with the respective intermediary, with debtor control ensuring constant attention is paid to minimise overdue debts.
Reinsurance recoveries	Credit risk with respect to reinsurance programs is minimised by placement of cover with a number of reinsurers with strong credit ratings and in line with the applicable risk appetite statement. Recoveries under reinsurance arrangements are monitored and managed internally and by specialised reinsurance brokers operating in the international reinsurance market.

The carrying amount of the relevant asset classes represents the maximum amount of credit risk exposure at reporting date.

The following table provides information regarding credit risk exposure of reinsurance contract assets. The analysis classifies the assets according to Standard & Poor's (S&P) counterparty credit ratings. Credit ratings are sourced from other globally recognised credit agencies, where S&P's ratings are not available. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as non-investment grade.

	Credit Rating					
	AAA	AA	A	BBB	Not Rated	Total
2024	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Reinsurance recoveries	-	**43,399**	**22,320**	-	-	**65,719**
2023 (restated)						
Reinsurance recoveries	-	43,931	28,527	-	-	72,458

*The difference between AIC and the total amount above relates to reinsurance broker fee.

21.3 Risk management for financial instruments

21.3.1 Credit risk

The Company is exposed to and manages the credit risk for investment in financial instruments. Investments in financial instruments in the investment portfolios are held in accordance with the investment mandates. Credit limits have been established within these mandates to ensure counterparties have appropriate credit ratings. A framework is in place that sets and monitors investment strategies and arrangements.

Concentration of credit risk arises when a number of financial instruments are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration of credit risk is managed by individual counterparty and by credit rating. The

Company do not expect any counterparties to fail to meet their obligations given their credit ratings and therefore does not require collateral or other security to support credit risk exposures.

The carrying amount of investment in in financial instrument represents the maximum amount of credit risk exposure at reporting date.

For investment securities, credit ratings of counterparties for which credit risk is assessed only relate to the interest-bearing securities of the Company which include interest-bearing securities held at fair value through profit or loss.

There has been no material change in the credit risk faced by the Company or processes for managing the risk during the period.

	Credit Rating						
2024	AAA $'000	AA $'000	A $'000	BBB $'000	Non-investment grade $'000	Not Rated $'000	Total $'000
Cash and cash equivalents	-	**11,900**	-	-	-	-	**11,900**
Interest bearing securities	**46,794**	**100,456**	**49,122**	**3,295**	-	-	**199,667**
Accrued income	-	-	-	-	-	**1,577**	**1,577**
Investment receivables	-	-	-	-	-	**76**	**76**
Amounts due from related parties	-	-	**20**	-	-	-	**20**
	46,794	**112,356**	**49,142**	**3,295**	-	**1,653**	**213,240**
2023							
Cash and cash equivalents	-	7,906	-	-	-	-	7,906
Interest bearing securities	53,625	105,520	34,710	4,948	-	-	198,803
Accrued income	-	-	-	-	-	1,382	1,382
Investment receivables	-	-	-	-	-	698	698
	53,625	113,426	34,710	4,948	-	2,080	208,789

21.3.2 Liquidity risk

To ensure payments are made when they fall due, the Company has the following key facilities and arrangements in place to mitigate liquidity risks:

- investment portfolio mandates provide sufficient cash deposits to meet day-to-day obligations;
- investment funds set aside within the portfolio can be realised to meet significant claims payment obligations;
- in the event of a major catastrophe, cash access is available under the terms of reinsurance arrangements;
- mandated liquidity limits;
- regularity of premiums received provides substantial liquidity to meet claims payments and associated expenses as they arise; and

21.3 Risk management for financial instruments

- flexibility in investment strategies implemented for investment management to provide sufficient liquidity to meet claim payments as they fall due, based on actuarial assumptions.

There has been no material change in the liquidity risk faced by the Company or the policies and processes for managing the risk during the period.

The table below summarises the maturity profile of certain financial liabilities based on the remaining undiscounted contractual obligations.

2024	Carrying amount $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Trade creditors and accruals	**763**	**763**	**-**	**-**	**763**
Lease liability	**5,843**	**1,063**	**4,778**	**741**	**6,582**
Amounts due to related parties	**8,873**	**8,873**	**-**	**-**	**8,873**
	15,479	**10,699**	**4,778**	**741**	**16,218**
2023 (restated)					
Trade creditors and accruals	604	604	-	-	604
Lease liability	6,210	983	4,382	1,765	7,130
Amounts due to related parties	5,904	5,904	-	-	5,904
	12,718	7,491	4,382	1,765	13,638

21.3.3 Market risk

The main source of market risk comes from the investment portfolios. The Company's business has distinct investment portfolios, each with their own investment mandate. The investment mandates specify investment restrictions including but not limited to, asset class limits, authorised investments, duration limits, derivative restrictions, minimum credit ratings and counterparty credit limits.

The Company's investment portfolio is split into insurance funds and shareholder funds.

The insurance funds investment portfolios support the liability for incurred claim and other relevant components of LIC of the business. The portfolios are managed over benchmarks set in a manner consistent with the expected duration of claims payments, ensuring any variations from a matched position are constrained. Investments held are fixed interest securities.

The shareholder funds are held for the investment of funds in support of share capital and retained profits. To provide better expected returns on capital, the investment mandate for these portfolios has a more diverse investment strategy, predominantly including fixed interest securities and cash. The investment mandates balance expected investment returns, volatility of expected investment returns and the impact of volatility on both the capital adequacy and profitability of the business.

Investment securities are measured at fair value and changes in fair value are recognised in the profit or loss.

A number of issues are driving the global economic uncertainty, including geopolitical affairs, natural disasters and inflation. This evolving global uncertainty has resulted in emergence of increased global market volatility and the market risk faced by the Company; however, the investment portfolios have minimal equity exposure and largely invest in high credit quality fixed interest securities. There has been no material change to the policies and processes for managing the risks during the period as market volatility is expected over time.

21.3 Risk management for financial instruments (continued)

a) Interest rate risk

Interest rate risk arises from the investments in fixed rate interest-bearing securities. Interest rates have an impact on the values of both assets and liabilities and the main sources of loss are adverse changes in the valuation of investments in interest-bearing securities and liabilities for incurred claims.

A change in the market value of investments in interest-bearing securities is immediately recognised in the profit or loss. The insurance funds hold significant interest-bearing securities in support of corresponding insurance provisions and are invested in a manner consistent with the expected duration of claims payments.

The valuation of the liabilities for incurred claims includes the discounting to present value at balance date of expected future claim payments. Any assessment of the impact of changes in interest rates on investment income must include the offsetting adjustment to claims expense for changes in discount rates adopted in liabilities for incurred claims valuations. A movement of 100 basis points (2023:100 basis points) is considered reasonably possible and has been applied to the sensitivity analysis. This is disclosed in Note 9.4, represented by the impact of change in discount rate.

This risk is managed by establishing investment portfolio mandates on the basis of the appropriate matching principles so as to ensure the impact on the operating result of changes in the general level of market interest rates is minimised.

The sensitivity of profit or loss after tax to movements in interest rates in relation to interest-bearing financial assets held at the balance date is shown in the table below. It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the balance date and there are concurrent movements in interest rates and parallel shifts in the yield curves. A movement of 100 basis points (2023: 100 basis points) is considered reasonably possible and has been applied to the sensitivity analysis.

	2024			2023		
	Exposure $'000	**Change in variable %**	**Profit (loss) after tax & equity $'000**	**Exposure $'000**	**Change in variable %**	**Profit (loss) after tax & equity $'000**
Fixed interest bearing investment securities	**142,643**	**+1**	**(3,141)**	134,190	+1	(2,684)
		-1	**3,312**		-1	2,811
	142,643			134,190		

At the reporting date, measurement of the cash and cash equivalents is not sensitive to movements in the interest rates and so a change in interest rates as at reporting date would have no impact on either profit or equity from the measurement of cash and cash equivalents for the current financial year.

Fixed interest-bearing investment securities are recognised on the statement of financial position at fair value. Movements in market interest rates impact the price of the securities (and hence their fair value measurement) and so would impact profit and equity.

b) Foreign exchange risk

The Company has no material foreign exchange risk.

c) Credit spread risk

The Company is exposed to credit spread risk through its investments in interest-bearing securities. This risk is mitigated by incorporating a diversified investment portfolio, establishing maximum exposure limits for counterparties and minimum limits on credit ratings.

The table below presents a sensitivity analysis on how credit spread movements could affect profit or loss for the exposure as at the balance date. There is no impact on equity reserves.

21.3 Risk management for financial instruments (continued)

Sensitivity of the Company's credit exposure to a +/- 100 basis point (2023: 100 basis points) change in yield is as follows:

	2024			2023		
	Exposure $'000	Change in variable %	Profit (loss) after tax & equity $'000	Exposure $'000	Change in variable %	Profit after tax & equity $'000
Interest bearing securities	**199,667**	**+1**	**(3,307)**	198,803	+1	(3,259)
		-1	**3,307**		-1	3,258
	199,667			198,803		

d) Equity price risks

The Company does not hold any securities that expose the Company to material equity or commodity price risk.

21.3.4 Capital management

The Company's capital management policies and objectives together with details of the amount of equity retained for the purpose of financial soundness are described in Note 17.

22. Property, plant and equipment and leases

	2024 $'000	2023 $'000
Right of use asset	**5,367**	5,961
Other plant and equipment	**643**	613
Property, plant and equipment and leases	**6,010**	6,574

Right of use (**ROU**) assets and lease liabilities which are presented in the statement of financial position as 'Property, plant and equipment and leases' and 'Payables and other liabilities' line items respectively, are presented in further detail below:

	2024 Real Estate $'000	2023 Real Estate $'000
Right of use asset at the beginning of the financial year	**5,961**	2,120
Depreciation charge	**(978)**	(827)
Additions to right of use assets	**384**	4,668
Right of use asset at the end of the financial year	**5,367**	5,961
Lease liability at the end of the financial year	**5,843**	6,210
Current	**836**	739
Non-current	**5,007**	5,471
Lease liability at the end of the financial year	**5,843**	6,210

Interest expense on the lease liabilities for the Company of $313,000 (2023: $69,000) was recognised as Other finance costs in the statement of comprehensive income.

Total cash outflow for lease liabilities presented in the statement of cash flows $752,000 (2023: $913,000).

23. Related parties

23.1 Controlling entities

Vero Liability Insurance Limited is a wholly owned subsidiary of Vero Insurance New Zealand Limited. The ultimate parent entity of the Company is Suncorp Company Limited, a company incorporated in Australia.

Some of the Directors of the Company are also Directors of Rasal Management Limited (**Rasal**). Rasal has a management agreement with the Company to provide management services.

23.2 Transactions and balances

The Company arranges reinsurance contracts with third parties and these transactions and balances have been included within the reinsurance transactions and balances recorded in the normal course of business.

	2024 $'000	2023 $'000
Premiums paid		
Fellow subsidiaries of the ultimate parent	**36**	28
Fixed Asset Transfers received		
Fellow subsidiaries of the ultimate parent	**-**	17
Fixed Asset Transfers paid		
Parent	**-**	89
Service and administration fees received		
Parent	**1,243**	520
Service and administration services paid		
Parent	**1,329**	784
Fellow subsidiaries of the ultimate parent	**4,735**	5,211
Management services and profit shares paid		
Other related parties (Rasal)	**4,614**	4,094
Dividend paid		
Parent	**48,100**	32,700
Group tax loss offsets/tax transfers paid		
Parent	**6,953**	578
Fellow subsidiaries of the ultimate parent	**-**	3,443
Group tax loss offsets/tax transfers received		
Fellow subsidiaries of the ultimate parent	**31**	-

Aggregate amounts receivable from or payable to related parties as at 30 June 2024 and 30 June 2023 are as follows:

	2024 $'000	2023 $'000
Amounts receivable from:		
Fellow subsidiaries of the ultimate parent	**20**	-
Total amounts receivable from related parties	**20**	-
Amounts payable to:		
Parent	**8,458**	1,850
Fellow subsidiaries of the ultimate parent	**415**	4,054
Total amounts payable to related parties	**8,873**	5,904

All balances are unsecured, non-interest-bearing and repayable on demand.

In addition to the above amounts and disclosures, as at 30 June 2024, $3.5m (2023:$3m) was payable to RASAL Management Limited a related party. This balance relates to insurance balances and therefore has been included within insurance contract liabilities.

23.3 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any directors of the Company.

The Key Management Personnel (**KMP**) compensation is provided by the Company, the parent of the Company or related parties of the ultimate parent entity. Remuneration provided other than by a Suncorp Group entity located in New Zealand is not included in this disclosure. This applies to L J Tanner for the years ended 30 June 2024 and 30 June 2023. They were remunerated by a related party of the ultimate parent outside of New Zealand and did not receive any compensation specifically related to their activities as a KMP of the Company. The KMP compensation is as follows:

	2024 $'000	2023 $'000
Short-term employee benefits	**6,506**	5,873
Post employment benefits	**39**	38
Long-term benefits	**324**	129
Share based payment	**995**	396
Total Compensation	**7,864**	6,436

Compensation of KMP has been determined in accordance with their roles within Suncorp Group. In some cases where the employee holds roles across various entities within the Suncorp Group, employee service contracts do not include any compensation, including bonuses, specifically related to the role of KMP of the Company and to allocate a figure may be misleading. In some cases, there is no link between KMP compensation and performance of the Company. Therefore, in such cases as there is no reasonable basis for allocating a KMP compensation amount to the Company, the entire compensation of the KMP has been disclosed above. KMP hold various insurance policies with the Company or related companies which are operated in the normal course of business.

24. Auditor's remuneration

	2024 $'000	2023 $'000
During the year the auditor of the Company was paid for the following services:		
Audit fees		
Audit of annual accounts of the Company	**304**	498
Other Assurance fees		
Assurance engagements on RBNZ solvency returns of the Company	**105**	75
Total auditor's remuneration	**409**	573

The audit fee for financial year ended 30 June 2024 and 30 June 2023 included fees associated with the audit of the NZ IFRS 17 transition.

25. Provisions and contingent liabilities

a) Provisions

Provisions are recognised for present obligations arising from past events where a payment (or other economic transfer) is probable to settle the obligation and can be reliably estimated.

	2023 $'000	Additions $'000	Amounts used $'000	Unused amounts reversed $'000	Other $'000	2024 $'000
Annual Leave and other employee benefits	2,590	2,304	(2,501)	107		2,500
Total	**2,590**	**2,304**	**(2,501)**	**107**	**-**	**2,500**
Current	2,590	2,304	(2,501)	107		2,500
Total	**2,590**	**2,304**	**(2,501)**	**107**	**-**	**2,500**

	2022 $'000	Additions $'000	Amounts used $'000	Unused amounts reversed $'000	Other $'000	2023 $'000
Annual Leave and other employee benefits	2,487	2,638	(2,535)	-		2,590
Total	**2,487**	**2,638**	**(2,535)**	**-**	**-**	**2,590**
Current	2,487	2,638	(2,535)	-		2,590
Total	**2,487**	**2,638**	**(2,535)**	**-**	**-**	**2,590**

Annual leave and other employee benefits

The provision is determined based on expected payments.

b) Contingent liabilities

There were no contingent liabilities as at 30 June 2024 (2023: $nil).

26. Material accounting policies

The Company's material accounting policies set out below have been consistently applied to all periods presented in these financial statements.

26.1 Foreign currency

Transactions denominated in foreign currencies are initially translated to New Zealand dollars at the spot exchange rates ruling at the date of the transaction. Foreign currency monetary assets and liabilities at the end of the reporting period are translated to New Zealand dollars at the closing rates of exchange current on that date. The resulting differences on monetary items are recognised in the profit or loss as exchange gains and losses in the financial year in which the exchange rates change. Foreign currency non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency non-monetary assets and liabilities are translated to New Zealand dollars at foreign exchange rates ruling at the dates the fair value was determined.

26.2 Revenue and expense recognition

Insurance revenue, insurance service expense, and net expenses from reinsurance contracts held are recognised in accordance with NZ IFRS17. Refer to Note 26.18 for detailed accounting policy.

26.3 Investment revenue

Interest income on financial assets or liabilities at amortised cost is recognised in profit or loss using the effective interest method. Interest income and expense on financial assets or liabilities at fair value are recognised in profit or loss when earned or incurred.

Investment revenue is classified as either investment income on insurance funds or shareholder funds. Investment income on insurance funds represents revenue derived from financial assets backing general insurance liabilities as detailed in Note 21.3 while investment income from shareholder funds represents revenue from financial assets that do not back general insurance liabilities.

26.4 Income tax

Income tax payable on profits, based on New Zealand applicable tax law, is recognised as an expense in the period in which profits arise.

Deferred income tax is provided in full and is recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of plant and equipment, revaluation of certain financial assets and liabilities, including derivative contracts, provision for employee entitlements, assets for insurance acquisition cash flows, tax losses carried forward and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantially enacted at the reporting date are used to determine deferred income tax.

The tax effect of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

a) Goods and services tax

Revenue, expenses, assets and liabilities are recognised net of the recoverable amount of goods and services tax (**GST**), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or the amount of expense.

Components of insurance revenue, insurance service expense and net expenses from reinsurance contracts are stated net of GST. Receivables and payables are stated inclusive of GST where applicable. The net amount of GST recoverable from, or payable to, the tax authority is included as an asset or liability in the statement of financial position.

26.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, other short-term highly liquid investments with original maturities of three months or less from the acquisition date, and deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

For the purposes of the statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within liabilities in the statement of financial position unless a right of offset exists.

26.6 Receivables and other assets

Amounts due from intermediaries and other receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at amortised cost, using the effective interest method, less any allowances for expected credit loss. Credit losses are recognised in the profit or loss. An allowance for expected credit loss is established when there is objective evidence that the Company will not be able to collect all amounts receivable according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. Non-current receivables are discounted using interest rates on government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash inflows.

26.7 Payables and other liabilities

These amounts represent liabilities for goods and services provided to the Company prior to the end of the period, which are unpaid.

26.8 Financial assets

The Company determines whether each financial asset's contractual cash flows are solely principal payments and interest (**SPPI**) and how the financial asset is managed.

a) Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- It is classified as held for trading; or
- Upon initial recognition it is classified by the Company as at fair value through profit or loss.

Financial assets where contractual cash flows are not SPPI are classified at fair value through profit or loss (**FVTPL**). Assets that are SPPI but managed on a fair value basis are also classified at FVTPL. Where financial assets other than FVTPL back liabilities at fair value through profit or loss, this would create an accounting mismatch and the financial assets can be designated as at FVTPL to remove this mismatch. The Company has not designated any financial assets as at FVTPL.

Financial assets at FVTPL are initially recognised on the trade date at fair value. Transaction costs are recognised in the profit or loss as incurred. Subsequently, the assets are measured at fair value on each reporting date based on the quoted market price where available. Where a quoted price is not available one of the following valuation techniques are used to value the assets at reporting date: recent arm's length transactions, discounted cash flow analysis, option pricing models or other valuation techniques commonly used by market participants.

Fair value for the various types of financial assets is determined as follows:

- Listed unit trusts and shares - by reference to the quoted market price.
- Listed government and semi government securities - by reference to the quoted market price.
- Unlisted investments - at valuation based on recent arm's length transactions, reference to other instruments that have substantially the same characteristics, discounted cash flow analysis and other pricing models. The assumptions and valuations inputs in applying these market standard valuation methodologies are determined using observable market inputs, which include, but are not limited to, benchmark yields, reported trades of similar or identical instruments, broker-dealer quotes and reference data including market research.

Movements in fair value are taken immediately to the profit or loss.

26.8 Financial assets (continued)

b) Financial assets at amortised cost

Financial assets at amortised cost, which include other trade receivables, are financial assets with fixed and determinable payments that are not quoted in an active market. They are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any accumulated impairment losses.

An allowance for expected credit losses (**ECL**) is recognised for all debt instruments not held at fair value through profit or loss. Further information on ECL and impairment provisioning is provided in Note 26.10.

c) Derecognition of financial assets

Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and all risk and rewards of ownership have been substantially transferred.

26.9 Financial liabilities

Financial liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the financial liability, except for financial liabilities at fair value through profit or loss which exclude transaction costs. A financial liability is derecognised when it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities are classified into one of the following categories upon initial recognition. At each reporting date measurement depends upon the chosen classification.

a) Financial liabilities at fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability within the following categories:

- held for trading;
- derivative; or
- at fair value through profit or loss.

b) Financial liabilities at amortised cost

Financial liabilities, other than financial liabilities at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method.

26.10 Impairment

An allowance is recognised for expected credit losses (**ECL**) for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash inflows from the sale of collateral held or other credit enhancements (if any) that are integral to the contractual terms.

For trade and lease receivables, the Company applies a simplified approach in calculating ECL. Under the simplified approach the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company determines the ECL based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors (i.e. probability of default) and the economic environment.

26.10 Impairment (continued)

a) Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate computed at initial recognition of these financial assets. Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The unwinding of the discount from initial recognition of impairment through to recovery of the written down amount is recognised through interest income.

b) Reversal of impairment

An impairment loss for an asset other than goodwill is reversed in following periods if there are indications that the impairment loss previously recognised no longer exists or has decreased. The impairment loss is reversed in the profit or loss only to the extent that it increases the asset back to its original carrying amount before any impairment was recorded.

c) Recoverability assessment of Asset for Insurance Acquisition Cash Flows (AIACF)

After the revision of insurance acquisition cash flows allocated to each group, a recoverability assessment of the AIACF is performed if facts and circumstances indicate that the asset may be impaired. The impairment test is performed at two levels as follows:

– For each existing or future group of insurance contracts, assess if the carrying amount of the asset exceeds the expected net cash inflows for that group; and

– For each group of insurance contracts that includes insurance acquisition cash flows allocated to expected future contract renewals, an additional test to assess if the carrying amount of the asset exceeds the expected net cash inflows for expected renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss. Impairment losses are reversed in the profit or loss and the carrying amount of the asset increased to the extent that the impairment conditions no longer exist or have improved.

There is currently no AIACF allocated to future groups of insurance contracts.

26.11 Leases

a) Lease liabilities

Lease liabilities are measured at amortised cost using the effective interest method. Interest expense is recognised in the statement of comprehensive income in the 'Finance costs' line item. The lease liabilities are presented in the statement of financial position in the 'Payables and other liabilities' line item.

The lease liabilities are remeasured when there is a change in the contractual cash flow (i.e. due to a change in an index, rate or term). Any remeasurements result in a corresponding adjustment to the ROU asset or where the ROU asset has a value of nil, then it has to be recognised in the statement of comprehensive income.

b) Right-of-use asset

The ROU asset is measured at cost and represents the amount equal to the lease liability on initial recognition, along with any lease payments made at or before the commencement date less any lease incentives received. The ROU asset is presented in the statement of financial position in the 'Property, plant and equipment' line item.

The ROU asset is depreciated in accordance with the methods prescribed under NZ IAS 16 *Property, Plant and Equipment* over the period of the lease on a straight line basis. The depreciation is presented in the statement of comprehensive income in the 'Other operating expenses' line item.

26.12 Property, plant and equipment

a) Recognition and initial measurement

An item of property, plant and equipment is recognised (capitalised) as an asset if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost, which comprises:

- purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of removal and site restoration, if any.

b) Subsequent measurement

Subsequent additional costs are only capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Company in future years. Where these costs represent separate components, they are accounted for as separate assets and are separately depreciated over their useful lives. Costs that do not meet the criteria for subsequent capitalisation are expensed as incurred.

The Company has elected to use the cost model (as opposed to the revaluation model) to measure plant and equipment after recognition. The carrying amount is the initial cost less accumulated depreciation and any accumulated impaired losses.

c) Depreciation

The depreciable amount of each item of property, plant and equipment is depreciated over its estimated useful life to the Company. The straight-line method of depreciation is adopted for all assets. Assets are depreciated from the date they become available for use. Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment. Useful lives and depreciation methods are reviewed at each annual reporting period. Residual values, if significant, are reassessed annually.

The following depreciation rates have been used:

- Computer Hardware 33%
- Furniture and Fittings 20%
- Office Equipment 10%-33%
- Leasehold Alterations 20%
- Motor Vehicles 14%-26%

d) Retirement

The carrying amount of plant and equipment is derecognised upon disposal or where no future economic benefits are expected from its use. The gain or loss arising from the derecognition is recognised in the profit or loss when the item is derecognised and calculated as the difference between the carrying amount of the asset at the time of derecognition and the net proceeds of derecognition.

26.13 Intangibles

a) Initial recognition and measurement

Intangible assets, other than goodwill, are stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises all directly attributable costs necessary to purchase, create, produce, and prepare the asset to be capable of operating in the manner intended by management. Where an intangible asset is acquired in a business combination, the cost of that asset is its fair value at the acquisition date.

Expenditure on internally generated assets is recognised in the profit or loss as an expense as incurred. Intangibles comprise computer software.

b) Subsequent expenditure

Subsequent expenditure on intangible assets (not acquired in a business combination) is capitalised only when it increases the originally assessed future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

c) Amortisation

Amortisation is charged to the profit or loss in a manner that reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful lives of intangible assets, unless such lives are indefinite. An intangible asset is regarded as having an indefinite useful life when, based on all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. Where the asset is deemed to have an indefinite life, it is not amortised but tested for impairment at least on an annual basis.

Where applicable, intangible assets are amortised from the date they are available for use and the amortisation period and method are reviewed on an annual basis.

The useful life of software has been assessed as three to five years and it is amortised on a straight line basis over this period.

26.14 Employee benefit obligations

a) Short term employee benefits

Annual leave

Liabilities for annual leave due within 12 months are recognised in the statement of financial position. The liability is measured at undiscounted amounts using pay rates expected to be effective when the liability is to be paid in respect of employees' services up to the reporting date.

Sick leave

Sick leave entitlements are non-vesting and are paid only upon valid claims for sick leave by employees. No liability for sick leave has been recognised as experience indicates that on average, sick leave taken each financial year is less than the entitlement accruing in that period. This experience is expected to recur in future financial years.

Short term bonus plans

A liability is recognised for short term bonus plans when a constructive obligation exists.

Other leave and non-monetary benefits

The cost associated with parental leave as well as non-monetary benefits such as car-parking, payments of professional memberships and discounts is recognised in the period in which the employee takes the benefits. A liability is not recognised for any non-accumulating benefits employees have not taken during the period.

b) Post-employment benefits (superannuation)

The Company contributes to defined contribution funds. Contributions are charged to the profit or loss as the obligation to pay is incurred. Contributions outstanding at reporting date are treated as liabilities and prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments are available.

c) Other long term employee benefits

Long service leave

A liability for long service leave is recognised in the Statement of Financial Position. The liability is measured as the value of expected future payments to be made in respect of services provided by employees up to the reporting date.

26.14 Employee benefit obligations (continued)

Annual Leave

A liability for annual leave which will not be settled within 12 months after the reporting date is recognised in the statement of financial position. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

26.15 Contributed capital

a) Ordinary shares

Ordinary shares are recognised as equity.

b) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Transaction costs in excess of the proceeds of the equity instruments issued, or where no proceeds are raised, are recognised as an expense.

c) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at reporting date.

Where a dividend is declared post reporting date but prior to the date of the issue of the financial reports, disclosure of the declaration is made in the financial statements but no provision is made.

26.16 Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the statement of financial position but are disclosed in the financial statements, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable and the amount can be reliably estimated, a provision is recognised.

Contingent assets are not recognised in the statement of financial position but are disclosed in the financial statements when inflows are probable. If inflows become virtually certain, an asset is recognised.

The amount disclosed as a contingent liability or contingent asset is the best estimate of the settlement or inflow.

26.17 Changes in accounting estimates and errors

a) Estimates

If a change in an accounting estimate gives rise to a change in an asset or liability, or relates to equity, it is recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change. Otherwise, it is recognised prospectively by including it in the profit or loss in the period of the change and future periods, as applicable.

26.17 Changes in accounting estimates and errors (continued)

b) Errors

Material prior period errors are corrected retrospectively (to the earliest date practicable) in the next issued financial statements by:

• restating the comparative amounts for the prior period(s) presented in which the error occurred; or

• if the error occurred before the earliest prior period presented, restating the opening balances of assets, liability and equity for the earliest prior period presented.

For retrospective application comparative information presented for a particular prior period need not be restated if restating the information is impracticable. When comparative information for a particular prior period is not restated, the opening balance of retained earnings for the next period is restated for the cumulative effect of the error before the beginning of that period.

26.18 New accounting standards and interpretations adopted

NZ IFRS17 Insurance Contracts

NZ IFRS17 *Insurance contracts* (IFRS17) is a new accounting standard for all types of insurance contracts and replaces NZ IFRS4 *Insurance Contracts* (IFRS4). IFRS17 is effective for the Company's financial statements for the reporting period beginning 1 July 2023.

Transition

IFRS17 is to be applied retrospectively to all insurance contracts on the transition date unless it is impractical to do so, in which case a modified retrospective or fair value approach may be applied.

The Company has applied the full retrospective approach for insurance contracts issued and reinsurance contracts held.

The adoption of IFRS17 has resulted in an increase in equity/net assets at 1 July 2022 of $9.2 million after tax for the Company. These amounts were recognised as an adjustment to the opening balance of retained earnings as shown in the statement of changes in equity.

The opening equity/net asset impact for the Company reflects increases from the application of the IFRS17 risk adjustment ($12.2m), higher discount rates due to the inclusion of the illiquidity premium ($0.7m), offset by change in pattern of expense recognition ($0.1m) and tax impacts ($3.6m).

Measurement of insurance contracts and reinsurance contracts

The Company's insurance and reinsurance contracts are not measured individually but are aggregated into portfolios, each comprising contracts that are of similar risks and managed together.

Insurance contracts and reinsurance contracts are measured and presented separately, comprising the following:

- the liability for remaining coverage (LRC) representing coverage for contracts that will be provided after the balance date for insured events that have not yet occurred; and
- the liability for incurred claims (LIC) representing claims and expenses for insured events that have already occurred. The LIC relates to claims reported and claims not reported (Incurred But Not Enough Reported, Incurred But Not Reported).

Reinsurance contract assets comprise the following:

- the asset for remaining coverage (ARC) representing a payment of reinsurance premium in relation to future insured claims that have not yet been incurred; and
- the assets for incurred claims (AIC) representing the estimated amounts recoverable from reinsurers in relation to claims that have been incurred on underlying contracts.

26.18 New accounting standards and interpretations adopted (continued)

Liability for Remaining Coverage (LRC) / Asset for Remaining Coverage (ARC)

IFRS17 features the General Measurement Model (GMM) as its default measurement model but allows a simplified measurement model known as the Premium Allocation Approach (PAA) for contracts with a coverage period of one year or less, or when the LRC/ARC under the PAA does not differ materially from that of the GMM.

Applying PAA

Currently, the Company applies the PAA for all insurance contracts issued and reinsurance contracts held on the basis that contracts' coverage periods are one year or less, or the liability for remaining coverage under the PAA is not expected to materially differ from that under the general model. As such, the criteria in PAA has been satisfied.

For groups of insurance contracts issued, a LRC is recognised and measured as premiums received less acquisition costs paid and any amounts arising from the derecognition of prepaid insurance acquisition cash flow asset.

For groups of reinsurance contracts held, an ARC is recognised and measured at the amount of ceding premiums paid.

When applying the PAA, discounting of LRC and ARC is not required if the time between providing the insurance service and the premium due date is no more than one year. The Company has chosen not to discount LRC and ARC for contracts measured under the PAA.

Acquisition costs relating to insurance contracts issued to policyholders measured under the PAA can either be immediately expensed or capitalised and amortised over the coverage period. For contracts measured under the PAA, the Company includes acquisition costs in the LRC and amortise them based on the passage of time.

LRC Loss Component/ Loss Recovery Component

IFRS17 requires the identification of groups of onerous contracts issued, with a loss component recognised on initial recognition of the Company of contracts and added to the LRC. Under the PAA, the Company assumes that no contracts in the portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise.

Where onerous contracts are covered by reinsurance contracts entered into before or at the same time as the onerous contracts, a loss-recovery component representing the reinsurance recoveries attributable to the onerous contract losses is recognised, which reduces ARC and increases reinsurance income.

The Company has developed a framework for identifying indicators of possible onerous contracts using internal information contained in prospective profitability reporting. No contracts have been assessed as onerous on the transition to IFRS17 or at 30 June 2024. This will be assessed on an ongoing basis as part of the Company's reporting processes.

Liability for Incurred Claims (LIC) / Asset for Incurred Claims (AIC)

The LIC comprises discounted estimates of future cash flows for claims incurred, adjusted to account for non-financial risks using risk adjustments. Similarly, the AIC comprises the discounted estimates of future cash flows adjusted to account for non-financial risks being transferred to the reinsurer.

Risk adjustment

A risk adjustment is added to the discounted estimates of future cash flows to reflect the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks as the Company fulfill insurance contracts.

The Company has adopted an approach to calculate the risk adjustment informed by a cost of capital model, which is sensitive to changes in claims mix, discount rate, reinsurance arrangements, and the Company's internal view of the level of capital required in order to meet regulatory requirements and the Company's performance targets. The risk adjustment is then calculated to be the amount that must be added to the central estimate of the insurance liabilities, such that the probability that the actual outcome will be less than the liability (including the risk adjustment). A 75% probability of adequacy is determined

26.18 New accounting standards and interpretations adopted (continued)

by the Company to calibrate the risk adjustment as at 30 June 2024 (30 June 2023: 75%), which is consistent with the probability of adequacy prescribed by the RBNZ to meet the regulatory capital requirement.

The changes in the risk adjustment due to the effect of the time value of money and changes in the time value of money are disaggregated and presented in Insurance Finance Income or Expenses.

Discount rate

The estimates of future cash flows of insurance contracts are discounted to reflect the time value of money, the financial risks, and liquidity characteristics of the cash flows. To calculate the discount rate, a bottom-up approach is applied, whereby the risk-free yield curve is adjusted to reflect the liquidity characteristics of the insurance cash flows through the addition of an illiquidity premium (ILP) which will increase the discount rate. The derivation of ILP comprises a market ILP and an illiquidity ratio which adjusts the market ILP to reflect the liquidity characteristics of the Company's insurance and reinsurance contracts.

Insurance Revenue

For insurance contracts measured under the PAA, the Company recognises insurance revenue based on the passage of time over the insurance coverage period, which is considered to closely approximate the pattern of risks underwritten.

Insurance revenue excludes transaction-based taxes and levies that are levied on the policyholder and collected on behalf of the relevant government authority.

Aggregation of insurance contracts

The Company's insurance and reinsurance contracts are aggregated into portfolios, each comprising contracts that are of similar risks and managed together. Portfolios of insurance and reinsurance contracts issued that are assets are presented separately from those that are liabilities on the balance sheet. Similarly, portfolios of reinsurance contracts held that are assets are presented separately from those that are liabilities. There were no portfolios of insurance contracts issued that were assets or portfolios of reinsurance contracts held that were liabilities at the balance date as at 30 June 2024.

27. Subsequent events

There were no material events post 30 June 2024 which would require adjustment to the amounts reflected in the 30 June 2024 financial statements or disclosures thereto.

30th September 2024

The Board of Directors
Vero Liability Insurance Ltd
Level 32 ANZ Centre
23-29 Albert Street
Private Bag 92055
Auckland
New Zealand

Dear Directors,

Appointed Actuary report required under Section 78 of the Insurance (Prudential Supervision) Act 2010

Section 78 of the Insurance (Prudential Supervision) Act 2010 specifies those matters that must be addressed, namely:

(a) I am the Appointed Actuary of Vero Liability Insurance Limited (**VLIL**); and

(b) I have reviewed the actuarial information contained in, or used in the preparation of the financial statements of VLIL. The review has been carried out in accordance with the applicable solvency standard. For the avoidance of doubt, actuarial information means:
- Information relating to VLIL's calculations of premiums, claims, reserves, insurance rates, and technical provisions; and
- Information relating to assessments of the probability of uncertain future events occurring and the financial implications for the insurer if those events do occur; and
- Information specified in an applicable solvency standard as being actuarial information for the purposes of this section; and

(c) The scope and limitations of the review will be detailed in Section 1 of the Financial Condition Report (**FCR**) as at 30 June 2024; and

(d) I have no relationship with VLIL other than that of Appointed Actuary; and

(e) I have obtained all information and explanations that I require; and

(f) In my opinion and from an actuarial perspective:
- The actuarial information contained in the financial statements has been appropriately included in those statements; and
- The actuarial information used in the preparation of the financial statements has been used appropriately; and

(g) No condition has been imposed under Section 21 (2)(b) as at 30 June 2024; and

(h) No condition has been imposed under Section 21 (2)(c) as at 30 June 2024.

Kind regards,

Nathan Lam
Executive Manager
Fellow of the New Zealand Society of Actuaries
Tel: +61 2 8222 3562