

Hannover Life Re of Australasia Ltd
New Zealand Branch

Annual Report
Year Ended 31 December 2023

Annual Report 2023

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Hannover Life Re of Australasia Ltd
New Zealand Branch

Letter of Authorisation

The Board of Directors have pleasure in presenting the annual report of Hannover Life Re of Australasia Ltd, New Zealand Branch (the Branch), incorporating the Financial Report, the Appointed Actuary's Report under Section 78 of the *Insurance (Prudential Supervision) Act 2010* and the Independent Auditor's Report for the year ended 31 December 2023.

The Board of Directors of Hannover Life Re of Australasia Ltd authorised this Financial Report of the Branch on 20 March 2024.



P. R. Gaydon
Chairman



G. Obertopp
Managing Director

20 March 2024

Corporate Governance Statement

For the year ended 31 December 2023

This Statement outlines the main corporate governance practices of Hannover Life Re of Australasia Ltd (the entity) and applicable to the New Zealand Branch (the branch) throughout the financial year, unless otherwise stated.

Board of Directors

Role of the Board

The Board, acting in accordance with the *Life Insurance Act 1995* and the *Insurance (Prudential Supervision) Act 2010* (jointly “the Life Acts”), has a duty to take reasonable care and use due diligence in relation to the interests of the owners and prospective owners of policies referable to the Statutory Funds of the entity, including the branch.

The Board needs to be mindful of its duty to act in the interest of policyholders as well as act in interests of the entity’s shareholder.

To fulfil these roles, the Board is responsible for the overall Corporate Governance of the entity including:

- approving the entity's strategic direction;
- establishing goals for management and monitoring the achievement of these goals;
- internal controls and management information systems;
- appraising and monitoring financial and other reporting;
- capital management;
- promoting and monitoring the entity’s risk culture; and
- risk management, including tax risk management.

Composition of the Board

The names of the Directors of the entity are set out in the Note 18 *Directors’ and Executive disclosures (key management personnel)* of the branch’s financial statements. The Board currently comprises six Directors (of which three are independent Non-Executive Directors) with a broad range of expertise and experience appropriate to the entity's business and the industry which it operates in. In accordance with the entity's Constitution, at least one third of Directors (or the number nearest one third) retire from office at each annual general meeting. Retiring Directors may nonetheless be available for re-election at that annual general meeting, provided that their term of office has been no longer than ten years in total.

Board Processes

To assist it in the execution of its responsibilities, the Board has established a Board Charter and Board Audit, Board Risk, Fit & Proper and Board Remuneration Committees with their own Charters.

The Board delegates the operation and administration of the entity to the Managing Director who is accountable to the Board.

The full Board currently holds three scheduled meetings each year, plus any other meetings at such other times as may be necessary to address any specific significant matters that may arise. The agenda for meetings include financial reports, technical and investment reports and any legal and statutory matters if required. The Board Book is circulated in advance and Executives are available to be involved in Board discussions.

Corporate Governance Statement

For the year ended 31 December 2023

Recognition and Management of Risk

The Board has established a framework for identifying areas of significant business risk and maintaining appropriate and adequate controls and monitoring procedures, in addition to ensuring compliance with legal and regulatory requirements. The framework is documented in the Board's Risk Management Strategy. The Board is responsible for reviewing and overseeing the Strategy and ensuring the appropriate corporate risk culture governance structure.

The Risk Management Strategy operates within the context of the Board's documented risk appetite.

Adequacy of Capital

The Board is responsible for ensuring that the entity, and each statutory fund, has adequate capital to meet its obligations under a wide range of circumstances. The Board has adopted a Target Capital position and an Internal Capital Adequacy Assessment Process (ICAAP) that is documented in the Board's ICAAP Summary Statement.

Board Audit Committee

The responsibilities of the Board Audit Committee (Audit Committee) include reviewing compliance with the entity's accounting policies and internal control framework and the industry's regulatory environment and advising the Board of Directors on the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. In addition, the performance of the auditors and the adequacy of the internal audit plans are reviewed by the Audit Committee.

The Audit Committee has a documented Charter approved by the Board. The Chairperson may not be the Chairperson of the Board.

The Managing Director, the Company Secretary, Chief Actuary & Appointed Actuary, Internal Audit and Appointed Auditor are invited to Audit Committee meetings. The Appointed Auditor and the Internal Auditor meet at least once a year with the Audit Committee without management being present.

Board Risk Committee

The Board Risk Committee (Risk Committee) is responsible for assisting the Board of Directors through its oversight of the implementation and operation of the Company's Risk Management Framework.

The Risk Committee has a documented Charter approved by the Board. The Chairperson may not be the Chairperson of the Board.

The Managing Director, Chief Risk & Compliance Officer, Chief Operating Officer, Company Secretaries, Chief Actuary & Appointed Actuary, Deputy Chief Actuary, Appointed Auditor and Internal Auditor are invited to the Risk Committee meetings.

Corporate Governance Statement

For the year ended 31 December 2023

Board Remuneration Committee

The Board Remuneration Committee (Remuneration Committee) is responsible for conducting regular reviews of the Remuneration Policy, making recommendations to the Board on changes to the Remuneration Policy and making annual recommendations to the Board on the remuneration of the Managing Director, direct reports to the Managing Director and any other person whose activities may, in the Board's opinion, affect the financial soundness of the Company.

The Remuneration Committee has a documented Charter approved by the Board. The Remuneration Committee is selected from the Non-Executive Directors of the Board with a minimum of three members. The Chairperson of the Remuneration Committee must be an independent Director with the majority of members being independent Directors.

Remuneration of the Board

All Directors' remuneration is determined on a bi-annual basis by the shareholder.

Fit and Proper Policy

The Board has adopted a Fit and Proper Policy under which the Board assesses annually the responsible persons (including individual Directors) of the entity for their fitness and propriety in holding their responsible person positions.

Financial supervision

The Life Acts govern the principal activities of the entity and identify responsibilities of the Board with respect to operations. In addition, the entity is required to comply with the provisions of the *Corporations Act 2001*. The Board seeks to discharge its responsibilities in a number of ways:

- an annual business plan and budget is reviewed and approved by the Board;
- three Board meetings are held to monitor performance against budget and financial benchmarks;
- Directors are responsible for ensuring financial statements that are presented to the parent entity and regulatory bodies are prepared in accordance with Australian Accounting Standard AASB 17 *Insurance Contracts*, the *Financial Sector (Collection of Data) Act 2001* and the *Corporations Act 2001*;
- the entity's Appointed Actuary is responsible for investigating the financial condition of the entity including the valuation of policy liabilities, solvency and capital adequacy requirements in accordance with the standards applied by the Australian Prudential Regulation Authority (APRA) and for providing advice to Executive Management and the Board as required under Prudential Standards and the Life Acts;
- Investment Guidelines are approved by the Board. Investment management decisions in accordance with the requirements of the Guidelines are delegated to an external investment manager in accordance with an Investment Management Agreement; and
- adoption of various policies such as the Risk Appetite Statement, Risk and Capital Management Guideline, Target Capital, ICAAP Summary Statement, Recovery Plan, Remuneration Policy, Tax Risk Management Policy, Information Security Management System and Fit & Proper Policy.

Corporate Governance Statement

For the year ended 31 December 2023

Ethical standards

Code of Conduct

The Company has adopted a Code of Conduct that requires all Directors, managers and employees to act with the utmost integrity and objectivity in their dealings with business partners, regulators, the community and employees, striving at all times to enhance the reputation and performance of the entity.

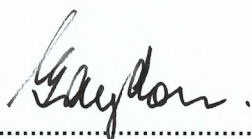
Conflict of Interest

Directors are required to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the entity. Details of Director related entity transactions with the entity are set out in the notes to the financial report.

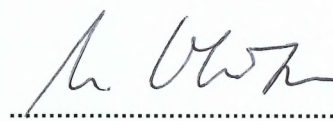
Statement of Comprehensive Income as at 31 December 2023

In NZD'000	Notes	2023	2022
Insurance revenue (gross)	7	50,554	32,135
Insurance service expenses (gross)	7	(32,375)	(22,965)
Insurance result (gross)		18,179	9,170
Reinsurance revenue (retroceded)	7	40,433	33,648
Reinsurance expenses (retroceded)	7	(53,086)	(40,521)
Results from reinsurance contracts (retroceded)		(12,653)	(6,873)
Insurance service result		5,526	2,297
Finance income or (expenses) from insurance contracts issued (gross)	11	287	10,916
Finance (expenses) from reinsurance contracts (retroceded)	12	(16,072)	(7,821)
Insurance finance result (net)		(15,785)	3,095
Ordinary investment income		5,670	4,320
Change in fair value of financial instruments	10	1,769	(7,341)
Net realised loss on financial instruments		(77)	(365)
Other investment expenses		(177)	(198)
Net income from financial instruments		7,185	(3,584)
Other income	8	230	87
Other expenses	8	(2,778)	(2,912)
Net other expenses		(2,548)	(2,825)
Net (loss) before taxes		(5,622)	(1,017)
Income tax benefit / (expense)	14	1,460	(13)
Net (loss)		(4,162)	(1,030)
Other comprehensive income		-	-
Total recognised income and expenses		(4,162)	(1,030)

On behalf of the Board of Directors



.....
Director



.....
Director

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

The branch adopted NZ IFRS 17 *Insurance Contracts* from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in Note 1 *New accounting standards or accounting standards applied for the first time*.

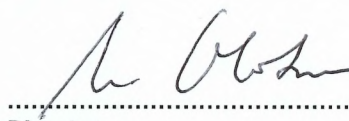
Statement of Financial Position as at 31 December 2023

In NZD'000	Notes	2023	2022	1 January 2022
Assets				
Cash and cash equivalents	9	4,848	4,831	3,765
Financial assets at fair value through profit or loss (FVPL)	10 & 16	131,750	116,793	105,997
Total investments and cash under own management		136,598	121,624	109,762
Reinsurance contract assets	12	10,075	4,856	11,294
Other assets	13	24,717	24,893	1,767
Total assets		171,390	151,373	122,823
Liabilities				
Liabilities for incurred claims (LIC)	11	33,129	26,781	31,074
Liabilities for remaining coverage (LRC)	11	(23,955)	(36,287)	(1,976)
Liabilities from insurance contracts issued		9,174	(9,506)	29,098
Reinsurance contract liabilities	12	84,225	76,580	46,332
Other liabilities	15	34,299	34,447	912
Current tax liability		-	537	-
Deferred tax liability	14	821	2,282	3,903
Total liabilities		128,519	104,340	80,245
Net assets		42,871	47,033	42,578
Equity				
Retained earnings		42,871	47,033	42,578
Total equity		42,871	47,033	42,578

On behalf of the Board of Directors



Director



Director

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

The branch adopted NZ IFRS 17 *Insurance Contracts* from 1 January 2023 and has correspondingly restated the comparative periods. The impacts of adoption are detailed in Note 1 *New accounting standards or accounting standards applied for the first time*.

Statement of Changes in Equity For the year ended 31 December 2023

In NZD'000	Total equity
Balance at 31 December 2021 as reported	25,358
Effects from initial application of NZ IFRS 17	17,220
Balance at 1 January 2022 (restated)	42,578
Net (loss)	(1,030)
Other comprehensive income	-
Total recognised income and expenses	(1,030)
Transfer from the Australian parent entity	(5,485)
Balance at 31 December 2022	47,033
Net (loss)	(4,162)
Other comprehensive income	-
Total recognised income and expenses	(4,162)
Transfer from the Australian parent entity	-
Balance at 31 December 2023	42,871

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The branch adopted NZ IFRS 17 *Insurance Contracts* from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in Note 1 *New accounting standards or accounting standards applied for the first time*.

Statement of Cash Flows

For the year ended 31 December 2023

In NZD'000	Notes	2023	2022
Cash flow from operating activities			
Net (loss)		(4,162)	(1,030)
Add/(less) non-cash items:			
Amortisation component of ordinary investment income		(2,063)	(378)
Expected credit losses on investments		-	(6)
Change in fair value of financial instruments		(1,769)	7,341
Net realised gains on financial instruments		77	365
Accrued interest		97	156
Net cash (outflows)/inflows from operating activities before change in assets & liabilities		(7,820)	6,448
Change in assets and liabilities:			
Insurance contracts issued		18,680	(38,604)
Reinsurance contracts held		2,426	36,686
Other receivables		176	(23,126)
Other payables		(148)	33,541
Deferred tax assets		(1,461)	(1,621)
Current tax liabilities		(537)	537
Net cash inflow from operating activities		11,316	13,861
Cash flow from investing activities			
Payments for financial assets at FVPL		(49,020)	(68,915)
Proceeds from sale of financial assets at FVPL		37,721	50,635
Net cash outflow from investing activities		(11,299)	(18,280)
Cash flow from financing activities			
Transfer of profits and funds from Australian parent entity		-	5,485
Net cash inflow from financing activities		-	5,485
Cash and cash equivalents at the beginning of the year		4,831	3,765
Change in cash and cash equivalents		17	1,066
Cash and cash equivalents at the end of the year	9	4,848	4,831

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

The branch adopted NZ IFRS 17 *Insurance Contracts* from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in Note 1 *New accounting standards or accounting standards applied for the first time*.

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1. Summary of material accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

Basis of presentation

These financial statements are for the New Zealand branch (the branch) of Hannover Life Re of Australasia Ltd (the entity) which is a registered Overseas Company under the *Companies Act 1993*. The branch is a registered overseas operation of the entity which is domiciled in Australia. The branch's principal place of business in New Zealand is at Melville Jessup Weaver, Level 7, Kiwi Wealth House, 20 Ballance Street, Wellington, 6011, New Zealand.

The branch is a for-profit entity for the purpose of preparing financial statements and is an FMC reporting entity for the purpose of the *Financial Markets Conduct Act 2013*. The financial statements are prepared in accordance with the *Financial Markets Conduct Act 2013*, *Companies Act 1993*, the *Financial Reporting Act 2013* and the *Insurance (Prudential Supervision) Act 2010* and also complies with *New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)* issued by New Zealand Accounting Board (NZASB).

Compliance with NZ IFRS ensures that the financial statements of the branch comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

The financial statements are prepared in accordance with the fair value basis of accounting with certain exceptions as described in the accounting policies below.

The preparation of the financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the branch's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements have been disclosed in Note 2 *Major discretionary decision and estimates*.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial period amounts and other disclosures.

These financial statements are presented in New Zealand dollars, which is the branch's functional currency.

The financial statements were authorised for issue by the Board of Directors on 20 March 2024. The Directors have the power to amend and reissue these financial statements.

Activities of Life Insurance Operations

The life insurance operations of the branch are conducted in accordance with the *Insurance (Prudential Supervision) Act 2010* (the Insurance Act). The Reserve Bank of New Zealand issued the branch with a licence under the Insurance Act on 2 April 2013.

Principles for life insurance business

The life insurance operations of the branch comprises the insurance of life and disability insurance and the administration thereof.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefit is not linked to the market value of the investments held by the branch, and the financial risks are substantially borne by the branch.

The life insurance operations consist of non-investment linked business only. All business written by the branch is non-participating and all net income/losses from non-participating business are allocated to the shareholder.

Monies held in the statutory funds are subject to the distribution and transfer restrictions and other requirements of the *Life Insurance Act 1995* and the *Insurance (Prudential Supervision) Act 2010*.

Classification of contracts

A contract is to be classified as an insurance contract issued or as a reinsurance contract held pursuant to NZ IFRS 17 *Insurance Contract* (NZ IFRS 17) if a significant insurance risk is thereby assumed or transferred. These contract types are treated according to the same rules, irrespective of whether the contracts were issued, acquired in connection with a merger or acquired as part of a transfer of contracts that do not constitute business operations. Contracts that may take the legal form of an insurance contract but do not transfer any significant insurance risk are classified as investment contracts. The recognition and measurement of such contracts follows the rules for the recognition of financial instruments according to NZ IFRS 9 *Financial Instruments* (NZ IFRS 9).

Financial instruments

Financial instruments are recognised and derecognised on acquisition or sale at the fulfilment date pursuant to NZ IFRS 9.

Financial assets

Financial assets are split into following categories on acquisition according to their cash flow characteristics and respective purpose: (i) amortised cost (AC) and (ii) fair value through profit or loss (FVPL).

Debt instruments are classified as financial instruments at fair value through profit or loss (FVPL) as the financial asset is held within a business model whose objective is collecting cash flows and selling the instrument, and the contractual cash flows meet the SPPI criterion of being solely payments of principal and interest on the principal amounts outstanding. Financial assets classified in the FVPL category are measured at fair value, with all changes in fair value recognised in Statement of Comprehensive Income. Premiums and discounts are spread across the maturity using the effective interest rate method. All the branch’s investments fall under the business model with the objective of collecting cash flows and selling, because the investments are predominantly used to cover underwriting risks and sales are therefore influenced by the servicing of these obligations.

All securities measured at FVPL are carried at the fair value on the closing date. All unrealised gains or losses from measurements are recognised in Statement of Comprehensive Income similar to realised gains and losses and reported in the net income from financial instruments.

Valuation models

Financial instrument	Parameter	Pricing model
Fixed-income securities	Yield curve	Present value method

Financial liabilities

Financial liabilities are classified either as financial instruments at fair value through profit or loss or as financial instruments measured at amortised cost.

Establishment of the fair value of financial instruments carried as assets or liabilities

The fair value of a financial instrument corresponds to the amount that the branch would receive or pay if it were to sell or settle the financial instrument on the balance date. Where market prices are listed on markets for financial assets, their bid price is used. Financial liabilities are valued at ask price. In other cases, the fair values are established on the basis of the market conditions prevailing on balance date for financial assets with similar credit rating, duration and return characteristics or using recognised models. Financial assets, for which no publicly available prices or observable market data can be used as inputs (financial instruments belonging to fair value hierarchy level 3), are for the most part measured on the basis of valuations drawn up by independent experts.

Netting of financial instruments

Financial assets and liabilities are only netted and recognised at an appropriate net amount if a corresponding legal claim (reciprocity, similarity, and maturity) exists or is expressly agreed by contract, or in other words, if the intention exists to offset such items on a net basis or to effect this offsetting simultaneously.

Cash and cash equivalents

Cash and cash equivalents are carried at face value.

Reinsurance recoverables on technical reserves

Shares of our retrocessionaires in the technical reserves are calculated according to the contractual conditions on the basis of the gross technical reserves. An appropriate impairment is taken to allow for objective substantial indications of credit risks that are based on an event after initial recognition and suggest impairment, insofar as this can be reliably measured.

Deferred tax assets

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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

Deferred tax assets are also recognised on tax loss carry-forwards and tax credits. Insofar as the deferred taxes refer to items carried directly in equity; the resulting deferred taxes are also recognised directly in equity. Value adjustments are taken on deferred tax assets as soon as realisation of the receivable no longer appears likely. Deferred taxes are measured according to the New Zealand tax regulations that are applicable or have been adopted as at the closing date.

Deferred tax assets may only be netted with deferred tax liabilities if an enforceable right exists to net actual tax refund claims with actual taxes owing, if the deferred tax assets and deferred tax liabilities refer to income taxes that are levied by the same tax authority. In this regard, there must be an intention – in every future period in which the discharge or realisation of substantial amounts of deferred tax liabilities / deferred tax assets is to be expected – either to bring about the settlement of the actual taxes owing and refund claims on a net basis or to discharge the liabilities at the same time as the claims are realised.

Other assets

Other assets are accounted for at amortised cost.

Technical reserves, General measurement model – initial measurement

The branch applies the general measurement model to all insurance contracts upon recognition. On initial recognition the branch measures a group of insurance contracts issued as the sum of:

- the fulfilment value, which is comprised of estimates of expected future cash flows, an adjustment that reflects the time value of money and the associated financial risks as well as a risk adjustment for non-financial risks, and
- the contractual service margin (CSM).

In the recognition of the corresponding technical reserves, a fundamental distinction is made between a pre-claims phase (liability for remaining coverage; LRC) and a claims phase after occurrence of the insured event (liability for incurred claims; LIC). The distinction is made according to an insured event yet to have occurred, which includes an unknown period of claim payments triggered by multiple insured events as LRC, and an insured event that has already occurred, which includes a single payment on an insured event as LIC.

Fulfilment value – cash flows

Components of the cash flows to be included are, among others, premiums, costs for acquisition and management of the contracts as well as for settlement of incurred claims. In this context, the cash flows included in the measurement model at each balance sheet date always constitute the branch's current estimate and expectation in connection with the fulfilment of obligations.

Time value of money – discounting

The branch discounts all cash flows with currency-specific, risk-free yield curves that are adjusted to reflect the respective characteristics of the cash flows and the liquidity of the underlying insurance contracts (bottom-up approach). An illiquidity premium is applied, based on risk-adjusted spreads of corporate and government bonds. These adjustments, which take the form of a supplementary illiquidity premium per currency, satisfy the following requirements / assumptions:

- the illiquidity of the underlying insurance contracts is defined through the predictability of the resulting cash flows, since the harder it is to predict a cash flow, the less it lends itself to coverage with illiquid assets.
- all characteristics of an insurance contract (or a group of insurance contracts) can be fully described and measured through the characteristics of its resulting cash flows.

The uncertainties in cash flows that may be caused by volatility in financial market parameters are captured in the estimation of expected future cash flows, instead of implicitly reflecting them through adjustment of the risk-free and completely illiquid yield curve in the illiquidity premium.

The illiquidity premiums are estimated on the basis of liquidity premiums for financial assets observable on the market that are adjusted to reflect the illiquidity characteristics of the cash flows on the liabilities side. The illiquidity premiums used in this context are based on risk-adjusted spreads of corporate and government bonds.

Risk adjustment for non-financial risks

The non-financial risk adjustment for a group of insurance contracts reflects the amount of compensation needed to carry the uncertainty surrounding the amount and timing of the cash flows that arise out of non-financial risks – such as the insurance risk itself, the cost risk and in particular the risk associated with policyholder behaviour. The branch uses a "pricing margin approach" to determine the risk adjustment. The compensation for the uncertainty of the cash flows is within the premium calculations. The loadings on the cash flows determined here form the risk adjustment pursuant to NZ IFRS 17. The confidence level for risk adjustment for non-financial risks at the balance sheet date is 60%.

Contractual service margin (CSM)

The contractual service margin defers a profit expected at the time of acquisition and spreads it according to provision of the service across the coverage period. Specifically, this means:

- If the present value of the expected cash inflows exceeds the present value of the expected cash outflows plus the risk adjustment, an expected profit exists that is recognised in the contractual service margin. Initial balance sheet recognition of contracts expected to be profitable thus has no effect on profit or loss.
- Subsequent measurement of the contractual service margin reflects the rendering of an insurance contract service. The insurance contract service consists of the benefit paid in case of occurrence of an insured event. An amount is released from the CSM to profit or loss in the corresponding reporting periods as a service fee for rendering of this service and recognised in the Statement of Comprehensive Income as part of the insurance revenue. Coverage units are used to measure this service in a reporting period.
- These coverage units are based on the quantities of benefits provided at the end of the reporting period relative to those expected to be provided over the entire contract duration in order to determine the service rendered for the period. We select the coverage units for each insurance transaction in such a way that they optimally reflect the service provided.

Loss component

For groups of contracts where the sum of the present value of expected future cash outflows and the risk adjustment exceeds the present value of the expected future cash inflows, the expected loss is recognised at the time of acquisition directly in Statement of Comprehensive Income as a loss component.

General measurement model – subsequent measurement

The value of a group of insurance contracts at balance date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

- The liability for remaining coverage consists of the fulfilment value relating to future payments allocated to the group of contracts at this time as well as the CSM for the group at the closing date.
- The liability for incurred claims consists of the fulfilment value for incurred claims plus expenditures not yet paid, including claims already incurred but not yet reported and claims which have been reported but not yet admitted.

The fulfilment value plus the estimates of current assumptions made by the branch in earlier financial statements is updated at the end of each reporting period based on current estimates of the amount, timing and uncertainty of expected future cash flows and discount rates. The branch carries the insurance finance income and expenses to the Statement of Comprehensive Income.

Changes in cash flows

Changes that relate to future payments which adjusts the CSM include, amongst others:

- Changes to estimates of the present value of expected future cash flows in the LRC;
- Variances between an investment component that is expected to be payable in the period and the actual investment component that becomes payable is determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the beginning of the period, plus any insurance finance income or expenses in relation to the expected payment before it becomes payable;
- Changes to the risk adjustment for non-financial risks that relate to future services;
- Experience-based adjustments due to premiums booked in the period that relate to future services, and associated cash flows such as acquisition costs and premium-based taxes.

The following changes do not result in an adjustment of the CSM and are therefore recognised directly in the Statement of Comprehensive Income:

- Changes in the fulfilment value due to the effects of the time value of money, the financial risks and changes in this regard;
- Changes in the fulfilment value in connection with the LIC;
- Experience-based adjustments due to premiums booked in the period that do not relate to future services, and associated cash flows such as acquisition costs and premium-based taxes.

The CSM of each group of contracts is calculated on each balance date as explained below. The value of the CSM at the balance date corresponds to the value at the start of the year, adjusted for:

- the CSM of new contracts added to the group in the financial year;
- the interest accretion on the value of the CSM with the interest rate determined on initial recognition (locked-in rate);
- changes in the fulfilment value connected with cash flows that relate to the fulfilment of future services.

These are recognised through adjustment of the CSM for as long as the CSM is available. If an increase in the fulfilment value exceeds the CSM, the excess amount is recognised in insurance service expenses and a loss component is recognised. The release of the CSM through insurance revenue was calculated after allowance for all adjustments.

Retrocession contracts

The branch applies the general measurement model to all reinsurance contracts held upon recognition. The accounting policies described above are also applied as a general principle to retrocession contracts held. Retroceded business is additionally subject to the following special recognition and measurement principles. As with business assumed, the rules refer in each case to the aggregation level of a group of contracts.

The branch reports reinsurance contracts held at the earlier of the following points in time:

- At the beginning of the coverage period of the contracts held, or
- At the time when a group of onerous underlying assumed contracts is recognised.

In the case of ceded reinsurance contracts with pro-rata coverage (all proportional reinsurance), recognition does not take place until the date on which the underlying assumed contracts are recognised if this date falls after the inception of the coverage period of the ceded contracts.

On each balance date the branch estimates the future cash flows and their discounting based on current assumptions. The assumptions are consistent with the assumptions chosen for measurement of the underlying issued insurance contracts.

The risk adjustment for non-financial risk with respect to business retroceded is determined as the part of the risks effectively transferred to the retrocessionaire. In this regard, the branch strives for consistency with the determination of the risk adjustment for non-financial risks for the underlying gross business.

In contrast to the recognition of issued retrocession contracts, the contractual service margin for ceded retrocession contracts can be positive or negative.

In the case of prospective retrocession contracts, both net profit and net costs are to be deferred on acquisition of the retrocession across the coverage period. Changes in fulfilment values are offset against the contractual service margin, insofar as these changes relate to future services. If, however, the changes in estimates are attributable to measurement adjustments to the underlying contracts recognised in Statement of Comprehensive Income, the effect is recognised on the measurement of the ceded retrocession contracts directly in Statement of Comprehensive Income. This facilitates consistent mapping of the gross insurance contracts with the ceded retrocession contracts. The contractual service margin is spread across the remaining duration of the coverage period in the context of subsequent measurement on the basis of coverage units.

In contrast, in the case of retroactive retrocession contracts relating to insured events that occurred prior to acquisition of the retrocession, net costs from acquisition of retrocession are expensed in Statement of Comprehensive Income. Expected net profits, on the other hand, are spread across the run-off period of the underlying contracts in a contractual service margin by selecting appropriate coverage units.

Loss-recovery component

The branch establishes a loss-recovery component if a loss is reported for ceded gross insurance contracts on account of onerous contracts. The loss component to be expensed for the gross insurance contracts is thereby opposed with a loss-recovery component recognised in income proportionate to the expected relief. In this way, allowance is also made in the Statement of Financial Position for an effective retrocession and as a result only a non-retroceded loss from the gross insurance contracts remains in Statement of Comprehensive Income in the respective period. Reversals of the loss-recovery component cause the contractual service margin to be adjusted, provided these reversals do not involve changes in the fulfilment values of the group of ceded retrocession contracts. In the context of subsequent measurement, the loss-recovery component is adjusted for changes in the loss component of the underlying insurance contracts.

Derecognition and contract modification

Contracts are derecognised when they are extinguished, or their terms and condition are changed in such a way as to fundamentally impact the economic characteristics of the contractual properties. If this is not the case, the contract modification results in a change in the estimated fulfilment values.

Investment components

The investment component of an insurance contract is defined as the amount that a branch must repay to the policyholder even if the insured event does not occur. Investment components are not included in the reinsurance revenue or in the insurance service expenses.

Deferred tax liabilities

In accordance with NZ IAS 12 *Income Taxes* deferred tax liabilities must be recognised on temporary differences arising between the tax bases of assets and liabilities that will lead to additional tax charges in the future.

Other liabilities

Non-technical provisions are established according to a realistic estimate of the amount required and shown under the Statement of Financial Position item “Other liabilities”. Allocation to such provisions is conditional upon the branch currently having a legal or actual obligation that results from a past event and in respect of which utilisation is probable and the amount can be reliably estimated.

Equity

Equity includes the allocations from net income and the retained earnings consist of reinvested profits generated by the branch in previous periods. In the event of a retrospective change of accounting policies, the adjustment for previous periods is recognised in the opening balance sheet value of the retained earnings and comparable items of the earliest reported period.

Insurance revenue

The branch books insurance revenue when it renders services in connection with groups of insurance contracts. In this context, the insurance revenue of the reporting period represents the sum of the changes in the liability for remaining coverage resulting from the rendering of services in this period for which the branch expects a consideration. The insurance revenue is defined in such a way as to bring about comparability with revenue reporting in other industries and derives from the following revenue sources:

- Expenditures incurred in the reporting period for reinsured losses and other insurance services (excluding repayments of investment components and amounts allocable to a potential loss component).
- Changes in the risk adjustment for non-financial risks in relation to services in the current reporting period.
- CSM release, measured by the coverage units provided.
- Other amounts, including experience-based adjustments to premium received for services in the current or in past periods.

No insurance revenue is recognised in the amount of the investment components because this involves those parts of the premium that are always paid back to the cedant, irrespective of whether or not the insured event occurs. This includes most commissions paid to cedants. The reduction of the revenue by the amount of the investment components has no influence on the insurance service result because the insurance service expenses are also correspondingly reduced.

Insurance service result

The insurance service expenses include, in particular, the incurred claims (excluding repayments of investment components) as well as the management and acquisition expenses. The acquisition expenses are allocated systematically to the respective periods of the coverage duration and recognised in the same amount as insurance revenue and as insurance service expenses. Within the insurance service result, the profit components from contracts retroceded are shown as separate items distinct from the gross insurance revenue and gross insurance service expenses from issued business.

Insurance finance income and expenses

In the insurance finance result, the insurance finance income and expenses include the effects from the discounting of:

- the present value of net cash flows,
- the risk adjustment for non-financial risks; and
- the contractual service margin.

The finance income and expenses are recognised in the Statement of Comprehensive Income.

Taxes

The taxes are comprised of the actual tax charge on corporate profits of the branch, to which the applicable local tax rates are applied, as well as changes in deferred tax assets and liabilities. Income and expenses arising out of interest or penalties payable to the tax authorities are shown under other income / expenses.

Basis of expense apportionments

Apportionments under Part 6, Division 2 of the *Life Insurance Act 1995* have been made as set out below.

Expenses incurred by the Australian head office for the administration of the branch have been allocated as follows:

- All expenses which are staff related are allocated in proportion to the estimated time involved in each fund; and
- Other expenses are allocated in proportion to appropriate cost drivers.

All expenses, excluding investment management fees which are directly identifiable, have been apportioned between directly attributable and non-directly attributable having regard to the objective when incurred. Expenses identifiable as directly attributable, such as initial commission, have been allocated in accordance with accounts received from cedants. All other expenses have been apportioned between directly attributable and non-directly attributable according to appropriate cost drivers and an analysis of the time spent by each employee.

All expenses relate to non-participating business as the branch only writes this category of business.

New accounting standards or accounting standards applied for the first time

With effect from 1 January 2023 the branch applied the accounting standards NZ IFRS 17 *Insurance Contracts* (NZ IFRS 17) and NZ IFRS 9 *Financial Instruments* (NZ IFRS 9) for the first time. Both standards were initially applied retrospectively. The opening balance sheet in consideration of the principles of NZ IFRS 17 and NZ IFRS 9 was drawn up as at 1 January 2022.

NZ IFRS 17 replaces the existing transitional arrangements of NZ IFRS 4 *Insurance Contracts* (NZ IFRS 4) to establish a comprehensive accounting framework for the recognition, measurement and disclosure of insurance contracts. In addition, NZ IFRS 17 requires extensive new disclosures in the notes. The standard is to be applied to insurance contracts issued (including reinsurance contracts issued) and reinsurance contracts held ("reinsurance contracts ceded", "retrocessions").

Before a contract is recognised pursuant to NZ IFRS 17, the branch performs an assessment whether the contract contains components that are to be separated and recognised separately according to the provisions applicable in accordance with other accounting standards.

The standard introduces three new measurement models, the basis adopted by the branch being the "general measurement model" (GMM). The "variable fee approach" (VFA) is a variant of the general measurement model for insurance contracts with a direct surplus participation and is not applicable to life insurance business. The "premium allocation approach" (PAA) is a simplified method that can be used by insurers and reinsurers when certain criteria are met. The branch's portfolio contains contracts that qualify for the general measurement model. For operational reasons and in order to achieve consistent and comparable presentation and measurement within the portfolio of insurance and reinsurance contracts, the branch applies the general measurement model to its entire business.

New accounting standards or accounting standards applied for the first time (continued)

The general measurement model measures receivables and payables from insurance and reinsurance business by the fulfilment cash flows plus the contractual service margin.

As a general principle, insurance contracts are grouped together and measured on an aggregated level. For this purpose, the branch defines as a first step portfolios containing contracts with similar risks that are managed together. In a second step, the branch split these portfolios into groups of contracts according to profitability criteria and annual cohorts. With regard to the profitability expected at the time of initial recognition, a distinction is made between:

- onerous contracts,
- contracts where there is no significant probability of them becoming onerous in subsequent periods; and
- the remaining contracts.

These distinct insurance contracts are allocated to separate groups of contracts. Contracts issued within a calendar year are combined into annual cohorts. Under NZ IFRS 17 there is a requirement to group contracts into such annual cohorts.

The standard must be applied retrospectively unless this is impracticable. In this case, especially if an adequate data basis for full retrospective application is not available, it is possible to apply either a modified retrospective approach or a fair value approach on the level of the group of contracts.

Fair value approach was applied by the branch under which the contractual service margin of a group of contracts at the transition date is established as the difference between the fair value of this group calculated according to NZ IFRS 13 *Fair Value Measurement* and the corresponding fulfilment value calculated according to NZ IFRS 17.

The application of NZ IFRS 17 has a number of implications for the structure of the Statement of Financial Position. In addition to the changed technical items under the general measurement model, certain items that are currently reported separately are eliminated and recognised under the insurance and reinsurance liabilities in accordance with the general model. This is the case, for example, with the gross life insurance contract liabilities and the reinsurers' share of life insurance contract liabilities.

Furthermore, the standard fundamentally changes the Statement of Comprehensive Income and differentiates between the underwriting result, which is composed of the insurance revenue and insurance service expenses, and the insurance finance income and expenses.

Gross written premium is no longer disclosed, instead being replaced with insurance revenue that is defined in such a way as to facilitate comparison with the revenue disclosures of other sectors. Neither investment components nor certain ceding commissions can be recognised in the insurance revenue. Insurance revenue is instead reported when it is earned by recognising in each period the change in the liabilities for providing coverage for which the insurance branch receives compensation, including the pro rata recognition of the contractual service margin and the premiums that covers acquisition costs.

Insurance finance income and expenses result from discounting effects and financial risks. In accordance with the option granted by NZ IFRS 17, they can either be recognised entirely as profit or loss in the statement of income or in part directly in other comprehensive income (OCI) within equity. This "OCI option" can be exercised on the level of individual portfolios and is not utilised by the branch for its business.

At the transition date of 1 January 2022, the initial application of NZ IFRS 17 gave rise to the following changes in the measurement of key items in the balance sheet:

The amount of the technical liabilities and assets changes due to the concepts introduced in the standard relating to the discounting of future cash flows, the establishment of the contractual service margin, loss components and risk adjustment and other measurement differences compared to NZ IFRS 4, including for example the diverging definition of contract boundaries or the aforementioned grouping of contracts for measurement purposes. These changes as at 1 January 2022 resulted in an anticipated significant decrease of NZD 23,489,000 in the net technical liabilities.

New accounting standards or accounting standards applied for the first time (continued)

Reduced by the mitigating effect of deferred taxes, the transition to the accounting standard NZ IFRS 17 as at 1 January 2022 caused the reported equity of the branch to increase by NZD 17,220,000. The increase in the reported equity as at 1 January 2022 is after the establishment of the net contractual service margin as the present value of expected future earnings. For the branch this amounts to NZD 11,769,000 before tax at the transition date and is thus far lesser than the increase in the reported equity.

NZ IFRS 9 replaces NZ IAS 39 *Financial Instruments: Recognition and Measurement* and contains new rules for classifying and measuring financial instruments and for the accounting of general hedge relationships.

Initial mandatory application of the standard was envisaged for annual reporting periods beginning on or after 1 January 2018. However, the NZASB published *Amendments to NZ IFRS 17* in August 2020 and *Amendments to NZ IFRS 9* in August 2017. These amendments extended the temporary deferral of initial application of NZ IFRS 9 *Financial Instruments* that had been granted to insurers and reinsurers ("deferral approach") until 1 January 2023, with the result that NZ IFRS 9 and NZ IFRS 17 are first applied by the branch at the same time.

In order to be able to take advantage of the temporary deferral, it was necessary to demonstrate that the branch's predominant activity is the issuance of reinsurance contracts within the scope of NZ IFRS 4. The branch reviewed the application requirements based on the financial statement as at 31 December 2021 with a positive outcome and decided to make use of the option of temporary deferral. Since the review of the application requirements there has been no change in business activity that would have necessitated a re-evaluation of the predominant activity.

While the retrospective application of NZ IFRS 17 provides for the presentation of comparative information for the 2022 financial year, this is not the case with initial application of NZ IFRS 9. By issuing *Initial Application of NZ IFRS 17 and NZ IFRS 9 – Comparative Information* in January 2022, the NZ IFRS therefore introduced a transition option relating to comparative information about financial assets that is presented on initial application of NZ IFRS 17.

This option is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the 2022 comparative year, thereby improving the usefulness of comparative information for users of financial statements. It allows for an overlay in the classification of financial assets in the comparative period that is presented on initial application of NZ IFRS 17 ("overlay approach"). This overlay makes it possible to classify all financial assets, including those not connected with contracts within the scope of NZ IFRS 17, on a case-by-case basis in the comparative period in a way that corresponds to how the branch expects to classify these assets on initial application of NZ IFRS 9.

The branch applied this approach, including the provisions of NZ IFRS 9 regarding impairment losses, consistently to all eligible financial instruments.

The classification of financial instruments according to NZ IFRS 9 is guided, on the one hand, by the cash flow characteristics of the financial instruments and, on the other, by the business model used to manage the financial instruments. On the basis of these two criteria, financial instruments are allocated to one of three measurement categories, namely "amortised cost" (business model "hold"), "fair value through other comprehensive income" (FVTOCI) (business model "hold and sell") or "fair value through profit or loss" (FVTPL) (business model "trading"). In view of the nature of insurance business, the portfolio of debt instruments is allocated to the business model "hold and sell". However, to achieve matching with insurance finance income or expense results in profit or loss, an irrevocable election has been made to classify financial instruments in the category "fair value through profit or loss". This classification resulted in no impact upon transition.

Further NZ IFRS Amendments and Interpretations

Along with the changes described in connection with initial application of NZ IFRS 17 and NZ IFRS 9, the following amendments to existing standards were applicable for the first time in the reporting period. These amendments did not have any significant implications for the financial statement:

Published	Title	Initial application to annual periods beginning on or after the following date:
July 2023	<i>International Tax Reform Pillar Two Model Rules (amendments to NZ IAS 12)</i>	1 January 2023

Standards or changes in standards that have not yet entered into force or are not yet applicable

Certain amendments to accounting standards have been published by NZASB that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the branch. These amendments are not expected to have a material impact on the branch in the current or future reporting periods and on foreseeable future transactions:

Published	Title	Initial application to annual periods beginning on or after the following date:
May 2023	<i>Non-current Liabilities with Covenants</i>	1 January 2024
April 2020	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
November 2022	<i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
July 2023	<i>Supplier Finance Arrangements</i>	1 January 2024

2. Major discretionary decision and estimates

In the financial statements, it is necessary to make estimates and assumptions which affect the assets and liabilities shown in the balance sheet, the information on contingent claims and liabilities as at the balance date and the disclosure of income and expenses during the reporting period.

Discretionary decisions, estimates and assumptions are of considerable significance when it comes to the classification, aggregation level and measurement of the assets and liabilities from insurance contracts issued or reinsurance contracts held. Depending on the assessment of the transfer a significant insurance risk, contracts are classified either as insurance or investment contracts. An appropriate aggregation level is necessary to identify contract portfolios by separating groups of contracts that are onerous upon initial recognition from those that do not have a significant probability of subsequently becoming onerous. In addition, assumptions are made and estimation uncertainties exist regarding the measurement of insurance and retrocession contracts. In measuring such contracts, the measurement method is to be defined that is used for estimating the risk adjustments for non-financial risks and the quantity of services to be rendered under a contract. Changes in material assumptions relating to discount rates (including illiquidity premiums), loss experience or future cash flows and differences between interest on credit balances and discount rates could result in significant changes in fulfilment values in the following financial year or in adjustment of the contractual service margin.

The calculation of reserves and assets is crucially dependent on actuarial projections of the covered business. So-called model points are defined according to the type of business covered. The main distinguishing criteria include, among others, the age, sex and (non-)smoker status of the insured, premium rate, policy period, period of premium payment and amount of insurance. The portfolio development is simulated for each model point, in which regard the key input parameters are either predefined (e. g. allowance for costs, amount of premium, actuarial interest rate) or need to be estimated (e. g. mortality or morbidity rates, lapse rates). These assumptions are heavily dependent on the sales channel, quality of the cedant's underwriting and claims handling, type of insurance and other framework conditions of the reinsurance treaty. The superimposition of numerous model points gives rise to a projection, which incorporates assumptions concerning the portfolio composition and the commencement of covered policies within the year. Such assumptions are estimated at the inception of a reinsurance treaty and subsequently adjusted to the actual development.

2. Major discretionary decision and estimates (continued)

The branch makes estimates and assumptions that affect the reported amounts of assets and liabilities at year end. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where critical accounting estimates are applied are noted below.

Receivables and payables for life insurance contracts

The branch has a process for allocating the quarterly technical estimates to life insurance contracts. The process allocates, at a granular level, the estimates to the receivables and payables of life insurance contracts after taking account of the actual transactions.

Recoverability of deferred tax assets

The branch assesses the recoverability of deferred tax assets at each reporting date. In making this assessment, the branch considers in particular the future business plans, history of generating taxable profits, whether the unused tax losses resulted from identifiable causes which are unlikely to recur and if any tax planning opportunities exist in the year in which the taxable losses can be utilised.

Provisions & contingent liabilities

In the process of determining a provision, or contingent liability, significant judgement is applied based on all available information, facts and circumstances. The nature of provisions and contingent liabilities are such, that as further information comes to light, the ultimate outcome could be significantly different from the original adopted position.

3. Actuarial assumptions and methods

The effective date of the actuarial report on life insurance contract liabilities and solvency reserves is 31 December 2023. The actuarial report dated 14 March 2024 was prepared by Appointed Actuary, Mr Jun Song BCom, FIAA, FNZSA. The actuarial report indicates that Mr Song is satisfied as to the accuracy of the data upon which life insurance contract liabilities have been determined.

The life insurance contract liabilities for life insurance contracts are valued in accordance with NZ IFRS 17 *Insurance Contracts* and New Zealand Society of Actuaries Professional Standard No. 20 *Determination of Life Policy Liabilities*.

The profit carrier used for the major product groups in order to achieve the systematic release of Contractual Service Margin and Risk Adjustment was as follows:

Major Product Groups	Profit Carrier
Individual death insurance	Claims incurred
Disability insurance	Claims incurred

Disclosure of assumptions

The assumptions used to value life insurance contract liabilities are best estimates of expected future experience determined in accordance with NZ IFRS 17. The key assumptions are as follows:

- **Discount rates:** The discount rates assumed (including illiquidity premiums) are risk free rates based on current observable objective rates that relate to the nature, structure and term of the future obligations. Discount rates assumed are:

		2023				
Country	Currency	1 Year	5 Years	10 Years	20 Years	30 Years
New Zealand business	NZD	5.4% p.a.	4.1% p.a.	4.2% p.a.	4.4% p.a.	4.5% p.a.

		2022				
Country	Currency	1 Year	5 Years	10 Years	20 Years	30 Years
New Zealand business	NZD	5.5% p.a.	4.8% p.a.	4.7% p.a.	4.8% p.a.	4.9% p.a.

- **Inflation rates:** The inflation rates are primarily relevant to the determination of the outstanding life insurance contract liabilities. The assumptions have been based on current inflation rates and the outlook for inflation over the term of the liabilities. The assumed inflation rates are:

Country	2023	2022
New Zealand business	2.3% to 2.5% p.a.	1.95% to 1.98% p.a.

- **Future expenses:** The life insurance contract liabilities include an allowance for the directly attributable proportion of total expenses. The future maintenance expenses are assumed to be a set percentage of future premium income and claim payments. Future investment expenses have been assumed to be at the same percentage of assets under management as currently applies.
- **Rates of taxation:** Policy liabilities have been determined on a gross of taxation basis. The rates of taxation that apply to the branch are shown in Note 14 *Income tax*.
- **Mortality and morbidity:** Assumed mortality and morbidity claim rates were based on various published tables, primarily those most recently published by the Council of Australian Life Insurers, adjusted in light of recent industry experience and the branch's own experience. For disability income claims, adjustments were made to the tabular claim termination assumptions based on the branch's own experience, as follows. Claim termination rates as percentage of tabular termination assumptions:

Country	2023	2022
New Zealand business	60% to 113% of ADI 2014-2018	55% to 120% of ADI 2014-2018

A possible deterioration in mortality and morbidity rates could increase estimates of future cash outflows and thus decrease the CSM. A sensitivity analysis is included below.

- **Rates of discontinuance:** Assumed policy discontinuance rates are based on recent actual discontinuance experience. Assumed rates may vary by sub-grouping within a category and vary according to the length of time tranches of business have been in force. Future rates of discontinuance for the major categories of business were assumed to be in the order of 12% - 17% p.a. (2022: 12% - 17% p.a.).

Possible increases in lapse and surrender rates could increase or decrease estimates of future cash outflows and thus decrease or increase the CSM, depending on the product specifics. A sensitivity analysis is included below.

Processes used to select assumptions

- Discount rates: Cash flows are discounted with currency-specific, risk-free yield curves that are adjusted to reflect the respective characteristics of the cash flows and the liquidity of the underlying insurance contracts (bottom-up approach).
- Expense level: The current level of expense rates is taken as an appropriate expense base.
- Tax: Current tax legislation and rates are assumed to continue unaltered.
- Mortality and morbidity: An appropriate base table of mortality or morbidity is chosen for the type of product being written. An investigation into the actual experience of the branch is performed and statistical methods and judgement are used to adjust the rates reflected in the table to a best estimate of mortality or morbidity. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table.
- Discontinuance: An investigation into the actual experience of the branch is performed and statistical methods are used to determine appropriate discontinuance rates. An allowance is then made for any trends in the data to arrive at a best estimate of future discontinuance rates.

Sensitivity analysis

The valuations included in the reported results and the branch's best estimate of future performance are calculated using certain assumptions about the variables such as discount rates, discontinuance rates, mortality, morbidity and inflation. A movement in any key variable will impact the performance of the branch.

The table below illustrates how changes in key assumptions would impact the reported profit after tax and equity of the branch before and after risk mitigation by retrocession contracts held. The analysis is based on a change in an assumption while holding all other assumptions constant. It assumes the assumption is changed at balance date and shows the impact on the reported net income after tax. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. Further no allowance has been made for future management actions which may be implemented.

In NZD'000	Change in Variable	Impact upon net income after tax and equity	
		2023	
		Gross Insurance	Net insurance
Deterioration in unreported claims development ¹	+10%	(1,938)	(373)

(1) This relates to the cost of incurred but not reported claims.

In NZD'000	Change in Variable	Impact upon net income after tax and equity	
		2022	
		Gross Insurance	Net insurance
Deterioration in unreported claims development ¹	+10%	(1,562)	(300)

(1) This relates to the cost of incurred but not reported claims.

The sensitivity results shown above are based on the European Solvency II sensitivity analysis performed on the equivalent data of underlying insurance contracts, assumptions and market variables as at balance date. The Solvency II sensitivities have been used as they are readily available and have historically been used globally across the branch for valuation and underwriting management purposes. The Solvency II sensitivity analysis produce projected cashflows that are consistent with NZ IFRS 17 projected cashflows with a key difference being small differences in discount rate assumptions.

4. Risk Management policies and procedures

The financial condition and operating results of the branch are affected by a number of key financial and non-financial risks. The entity's objectives and policies in respect of managing these risks are applicable to the management of risks of the branch as set out in the following section.

The Board of Directors is responsible for the entity's risk management framework and is responsible for the oversight of its operation by management. This framework, which is documented in a formal risk management strategy, is established to identify and manage the risks faced by the entity, to set appropriate risk limits and to ensure risks and controls are monitored. The framework operates within the context of the Board's appetite for risk, which is documented in a Risk Appetite Statement.

The entity's Chief Risk and Compliance Officer co-ordinates with the executive team, the development, implementation, continuous improvement and monitoring of the Risk Management and Compliance Management Frameworks.

The risk management framework is reviewed at least annually and amended as required. The entity, through its training and management standards and procedures, aims to develop a disciplined and constructive risk and control culture and environment in which all employees understand their roles and obligations.

The Board Risk Committee, a sub-committee of the Board, is responsible for oversight of the implementation and operation of the entity's risk and compliance frameworks.

The Board Audit Committee, a sub-committee of the Board, is responsible for monitoring the entity's risk management framework and reporting to the Board. It provides independent assurance to the Board that the risk management framework is appropriate, consistently implemented and operating effectively.

The Board Audit Committee is assisted in its role by Internal Audit. Internal Audit undertakes regular reviews and tests of risk management controls and procedures, the results of which are reported to the Committee.

Solvency risk

The Board's ICAAP Summary Statement outlines the Internal Capital Adequacy Assessment Process (ICAAP) of the entity. The objectives of the ICAAP are to enable the entity and the branch to maintain adequate capital and to meet all regulatory capital requirements on a continuous basis. The ICAAP also sets out certain actions and procedures for monitoring compliance with its regulatory capital requirements and capital targets.

Risks arising from financial instruments

Credit risk

Credit risk is the risk of financial loss to the branch if a cedant, outwards reinsurer or counterparty to a financial instrument fails to meet its contractual financial obligations, and arises principally from the branch's receivables from customers, outwards reinsurance receivables and issuers of investment securities.

- The branch aims to limit its exposure to credit risk by only retroceding with financial entities with strong credit ratings. All of the entity's outwards retrocession exposures are to retrocession entities that at the valuation date had a credit rating of at least AA- (Standard & Poor's) with the exception of one reinsurer (A+), whom the branch has immaterial exposure to. Given these high credit ratings, management does not expect a reinsurer to fail to meet its obligations.
- The branch aims to limit its exposure to credit risk by only reinsuring with financial entities with strong credit ratings. All of the branch's outwards reinsurance exposures are to reinsurers that at the valuation date had a credit rating of at least AA- (Standard & Poor's) with the exception of one reinsurer (A+), whom the branch has immaterial exposure to. Given these high credit ratings, management does not expect a reinsurer to fail to meet its obligations.
- The branch's Investment Guidelines, approved by the Board, contain credit rating-based limits on exposures to securities and issuers. Compliance with the Investment Policy is monitored daily by the branch's investment managers and reported regularly to the Investment Strategy Committee. The Committee is responsible for setting strategy within the framework of the Investment Guidelines and reporting to the Board on strategy, performance and compliance.

Liquidity risk

Liquidity risk is the risk that the branch will not be able to meet its financial obligations as they fall due. The branch's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the branch's reputation.

The branch maintains a float of cash to meet obligations. The branch also has access to more liquid national government or semi government bonds within the branch's fixed interest portfolio, the sale proceeds of which would be available to the branch.

Market risk

Market risk is the risk that changes in components of market prices, such as interest rates, credit spreads and currency risk, will affect the branch's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

- Interest rate risk: The branch has a portfolio of fixed interest security assets and a portfolio of life insurance contract liabilities. Both of these portfolios are subject to change in carrying value due to changes in interest rates. The branch manages these interest rate risks by approximately matching the duration of the fixed interest portfolio and the insurance contract liability portfolio.
- Credit spread risk: The movements in credit spreads can impact the value of the investments and therefore impact reported profit or loss. This risk is managed by investing in high quality, liquid fixed interest debt instruments.
- Currency risk: All of the assets and liabilities of the branch are denominated in New Zealand dollars. The branch is not exposed to any currency risk except for the settlement of monetary balances between the Australian and New Zealand businesses.
- Inflation risk: An inflation risk exists as the insurance contract liabilities could develop differently than assumed at the time when the reserve was constituted due to inflation. In order to partially hedge inflation risks the branch holds inflation-linked bonds in its portfolio.

Insurance risks

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations.

Controls over insurance risk include the use of underwriting procedures, established processes over setting of premium rates and policy charges and regular monitoring of retrocession arrangements. Controls are also maintained over claims management practices to ensure the timely payment of insurance claims in accordance with policy obligations.

Methods to limit or transfer insurance risk exposures are:

- Outwards retrocession: The branch's outwards retrocession agreements are designed to provide some protection against volatility of profit from claims fluctuations and deteriorating experience and to provide financial support by way of capital relief. Outwards retrocession contracts are analysed to assess the impact on the branch's exposure to risk.
- Underwriting procedures: The branch has formal Underwriting Guidelines which document the branch's underwriting framework including the types of business that the branch may write, underwriting authorities and limits. The Company also has documented underwriting procedures for underwriting decisions. Such procedures include limits to delegated authorities and signing powers. The underwriting process is regularly reviewed by the branch's internal auditors to assess the adequacy and effectiveness of controls over the underwriting process. Where underwriting authority is delegated to a cedant, the branch has a program for auditing the cedant's underwriting processes.
- Claims management: Strict claims management procedures and controls are in place to ensure the accurate and timely payment of claims in accordance with policy conditions. The branch has in place a program to assist cedants manage their claim portfolios.
- Pricing: The branch adopts standard pricing processes and controls. In specified circumstances, particularly for large or non-standard risks, advice is provided by the Appointed Actuary specific to that quotation and is considered by the branch.

Insurance risks (continued)

- Experience analysis: Experience studies are performed at a client and product level to determine the adequacy of pricing and valuation assumptions. The results are used to determine prospective changes in pricing and valuation.
- Management reporting: The branch reports quarterly financial and operational results including, mortality and morbidity claim experience, policy discontinuance, and exposure for portfolios of contracts (gross and net of retrocession). This information includes the branch's gross and net results which are compared against the branch's business plan.
- Concentration of insurance risk: The demographics, insured event, industry, geographical location and currency of policyholders is spread with the expectation that the risk concentration is minimal.

Sensitivity to insurance risks

The nature of the terms of the life insurance contracts written is such that certain external variables can be identified on which related cash flows for claim payments depend. The table below provides an overview of the key variables upon which the amount of related cash flows is dependent.

Type of contract	Detail of contract workings	Nature of compensation for claims	Key variables that affect the timing and uncertainty of future cash flows
Non-participating life insurance contracts with fixed terms (Term Life and Disability)	Benefits paid on death or ill health that are fixed and not at the discretion of the issuer	Benefits, defined by the insurance contract, are determined by the contract and are not directly affected by the performance of underlying assets or the performance of the contracts as a whole	- Mortality - Morbidity - Interest rates - Inflation rates - Lapse rates - Expenses

Tax risk management and related policies

The entity's Board does not sanction or support any activities which seek to aggressively structure its tax affairs. The entity's tax outcomes are determined by the nature of its business and it pays taxes accordingly. The entity has a framework to ensure that all tax requirements of branch are met.

The entity's tax strategy is focused on integrity in compliance and reporting. The strategy is implemented through the entity's Tax Risk Management Policy. This policy is approved by the Board and supported by business processes.

In conducting the branch's activities (in New Zealand), the entity:

- does not shift to and/or accumulate profits in low or zero tax jurisdictions;
- does not use the secrecy rules of jurisdictions to hide assets or income; and
- pays tax where the underlying economic activity occurs.

The entity is subject to transfer pricing obligations under Australia's Country-by-Country (CbC) regime and lodges relevant reports and statements with the Australian Taxation Office within 12 months after the end of income tax year. In compliance with both Australian filing requirements and the OECD BEPS Action Plan, the CbC Report contains details about the entity's international related party dealings, revenue, profits and taxes paid by jurisdiction. Under intergovernmental exchange of information agreements, this CbC Report is available to overseas tax authorities.

5. Disclosure on asset restrictions

Investments held in the branch can only be used within the restrictions imposed under the Australian *Life Insurance Act 1995* and the *Insurance (Prudential Supervision) Act 2010*. The main restrictions are that the assets of the branch can only be used to meet the liabilities and expenses of the branch, to acquire investments to further the business of the branch or as distributions when solvency and capital adequacy requirements are met. Shareholders can only receive a distribution when the solvency and capital adequacy requirements are met.

6. Solvency requirements

Under the terms of the *Insurance (Prudential Supervision) Act 2010*, Hannover Life Re of Australasia Ltd is licenced to carry on insurance business in New Zealand through its New Zealand branch. Under its license, Hannover Life Re of Australasia Ltd is deemed to satisfy the solvency requirements of the *Insurance (Prudential Supervision) Act 2010* if it satisfies home jurisdiction the Australian Prudential Regulation Authority (APRA) requirements for solvency. Accordingly, it permits the adoption of the solvency requirements under the APRA prudential standards.

The solvency requirements are the amounts required under APRA prudential standards to provide protection against the impact of adverse experience.

The Capital Base and Prescribed Capital Amount as at 31 December 2023 for each fund have been determined in accordance with LPS 110 as follows:

In NZD'000	2023	2022	2023	2022
	New Zealand branch	New Zealand branch	Total Company	Total Company
Capital Base				
Net assets ^{(1) (2)}	42,871	32,224	600,799	509,449
Regulatory adjustments to net assets	(5,015)	(32)	(194,392)	(143,341)
Tier 2 capital	-	-	50,591	50,308
Intangible Assets	-	-	(3,552)	(4,338)
Total Capital Base	37,856	32,192	453,446	412,078
Prescribed Capital Amount (PCA)				
Insurance risk charge	5,703	4,941	87,418	88,777
Asset risk charge	2,136	2,452	70,856	66,871
Asset concentration risk charge	-	-	-	-
Operational risk charge	3,236	2,953	81,647	75,086
Less aggregation benefit	(1,362)	(1,454)	(33,112)	(26,042)
Combined stress scenario adjustment	1,793	2,309	52,659	55,310
Total PCA	11,506	11,201	259,468	260,002
Solvency Margin	26,350	20,991	193,978	152,076
Capital adequacy multiple (Capital Base/PCA)	3.29	2.87	1.75	1.58

(1) No Additional Tier 1 Capital was held and hence net assets are comprised solely of Common Equity Tier 1 Capital.

(2) 2022 net assets were determined under NZ IFRS 4 *Insurance Contracts* and AASB 1038 *Life Insurance Contracts* as required by APRA prudential standards at the balance date.

7. Insurance service revenue / expenses gross and retroceded

In NZD'000	Notes	2023	2022
Insurance revenue (gross)			
Amounts relating to changes in liabilities for remaining coverage:			
Expected incurred claims and directly attributable expenses		31,749	22,917
Change in risk adjustment for non-financial risk for risk expired		1,476	1,096
CSM recognised for services provided		6,222	1,688
Experience adjustment in premiums		11,107	6,434
Total insurance revenue (gross)	11	50,554	32,135
Insurance services expenses (gross)			
Incurred claims and directly attributable expenses		(33,679)	(21,706)
Losses or reversal of losses on onerous contracts		1,304	(1,259)
Total insurance services expenses (gross)	11	(32,375)	(22,965)
Reinsurance revenue (retroceded)			
Incurred claims recovery		41,597	33,648
Losses recovery or reversal of losses recovery on onerous contracts		(1,164)	-
Total reinsurance revenue (retroceded)	12	40,433	33,648
Reinsurance expenses (retroceded)			
Amounts relating to the changes in the remaining coverage:			
Expected incurred claims and directly attributable expenses recovery		(40,807)	(34,242)
Changes in the risk adjustment for non-financial risk for the risk expired		(936)	(829)
CSM recognised for the services received		(2,178)	(488)
Experience adjustments arising from ceded premiums		(9,165)	(4,962)
Total reinsurance expenses (retroceded)	12	(53,086)	(40,521)

8. Other Income / Expenses

In NZD'000	2023	2022
Other income		
Other interest income	199	65
Sundry income	31	22
Total other income	230	87
Other expenses		
Expenses not directly attributable to insurance service results	2,778	2,912
Total other expenses	2,778	2,912

9. Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank and investments in money market instruments. Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

In NZD'000	2023	2022
Cash and cash equivalents		
Bank balances	4,848	4,831
Cash and cash equivalents in the statement of cash flows	4,848	4,831

10. Financial value hierarchy

The table below analyses assets and liabilities that are revalued and carried at fair value in the Statement of Financial Position, by valuation method. The different levels have been defined as follows:

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

There were no transfers between the Levels during the current and prior year.

NZD'000	2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investments	-	131,750	-	131,750
	2022			
NZD'000	Level 1	Level 2	Level 3	Total
Financial assets				
Investments	-	116,793	-	116,793

NZD'000	2023	2022
	Level 2	
	Carrying amount	Carrying amount
Balance as at 1 January	116,793	105,997
Purchased	49,020	68,915
Matured or sold	(37,798)	(51,000)
Accrued interest & amortisation	1,966	222
Remeasurements	1,769	(7,341)
Total change charge for the year	14,957	10,796
Balance as at 31 December	131,750	116,793

There have been no transfers to Stage 1 or 3 and therefore these are not presented.

11. Liabilities from insurance contracts issued (gross)

Movement in carrying amount of the liabilities for remaining coverage and incurred claims

In NZD'000	2023			Total
	Liabilities for remaining coverage		Liabilities for incurred claims	
	Excluding loss component	Loss component		
Opening balance - assets	54,557	-	(22,427)	32,130
Opening balance - liabilities	(16,999)	(1,271)	(4,354)	(22,624)
Opening balance (net) as at 1 January	37,558	(1,271)	(26,781)	9,506
Changes in the statement of comprehensive income				
Insurance revenue	50,554			50,554
Incurred claims and directly attributable expenses	27,852	-	(59,553)	(31,701)
Adjustments to liabilities for incurred claims (past service)	-	-	(674)	(674)
Losses and reversal of losses on onerous contracts	(1,304)	1,304	-	-
Insurance service expenses	26,548	1,304	(60,227)	(32,375)
Insurance service result	77,102	1,304	(60,227)	18,179
Finance expenses from insurance contracts	1,001	(33)	(681)	287
Total changes in the statement of comprehensive income	78,103	1,271	(60,908)	18,466
Actual experience in the statement of comprehensive income which is not in the movement of liabilities for incurred claims			2,278	2,278
Cash flows				
Premiums	(91,706)	-	-	(91,706)
Claims and directly attributable expenses	-	-	52,282	52,282
Cash flows total	(91,706)	-	52,282	(39,424)
Closing balance - assets	45,153	-	(29,447)	15,706
Closing balance - liabilities	(21,198)	-	(3,682)	(24,880)
Closing balance (net) as at 31 December	23,955	-	(33,129)	(9,174)

11. Liabilities from insurance contracts issued (gross) (continued)

In NZD'000	2022			Total
	Liabilities for remaining coverage		Liabilities for incurred claims	
	Excluding loss component	Loss component		
Opening balance - assets				
Opening balance - liabilities	1,976	-	(31,074)	(29,098)
Opening balance (net) as at 1 January	1,976	-	(31,074)	(29,098)
Changes in the statement of comprehensive income				
Insurance revenue	32,135	-	-	32,135
Incurred claims and directly attributable expenses	23,769	254	(38,215)	(14,192)
Adjustments to liabilities for incurred claims (past service)	-	-	(8,773)	(8,773)
Losses and reversal of losses on onerous contracts	1,513	(1,513)	-	-
Insurance service expenses	25,282	(1,259)	(46,988)	(22,965)
Insurance service result	57,417	(1,259)	(46,988)	9,170
Finance expenses from insurance contracts	9,736	-	1,180	10,916
Total changes in the statement of comprehensive income	67,153	(1,259)	(45,808)	20,086
Actual experience in the statement of comprehensive income which is not in the movement of liabilities for incurred claims	-	(12)	2,208	2,196
Cash flows				
Premiums	(31,571)	-	-	(31,571)
Claims and directly attributable expenses	-	-	47,893	47,893
Cash flows total	(31,571)	-	47,893	16,322
Closing balance - assets	54,557	-	(22,427)	32,130
Closing balance - liabilities	(16,999)	(1,271)	(4,354)	(22,624)
Closing balance (net) as at 31 December	37,558	(1,271)	(26,781)	9,506

11. Liabilities from insurance contracts issued (gross) (continued)

Movement in carrying amount by measurement component

In NZD'000	2023			Total
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM (contractual service margin)	
Opening balance - assets	48,158	(7,628)	(8,400)	32,130
Opening balance - liabilities	(21,665)	(959)	-	(22,624)
Opening balance (net) as at 1 January	26,493	(8,587)	(8,400)	9,506
Changes in the statement of comprehensive income				
Changes that relate to <i>current services</i>				
CSM recognised for services provided	-	-	6,222	6,222
Change in risk adjustment for non-financial risk for risk expired	-	1,476	-	1,476
Experience adjustments and change in estimates	9,877	(26)	-	9,851
	9,877	1,450	6,222	17,549
Changes that relate to <i>future services</i>				
Contracts initially recognised in the year	2,015	(320)	(1,695)	-
Changes in estimates that adjust the CSM	21,959	(1,413)	(20,546)	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	1,304	-	-	1,304
	25,278	(1,733)	(22,241)	1,304
Changes that relate to <i>past services</i>				
Adjustments to liabilities for incurred claims	(674)	-	-	(674)
	(674)	-	-	(674)
Insurance service result	34,481	(283)	(16,019)	18,179
Net finance (income)/expenses from insurance contracts issued	1,238	(638)	(313)	287
Total changes in the statement of comprehensive income	35,719	(921)	(16,332)	18,466
Actual experience in the statement of comprehensive income which is not in the movement of liabilities for incurred claims	2,275	3	-	2,278
Cash flows				
Premiums	(91,706)	-	-	(91,706)
Claims and directly attributable expenses	52,282	-	-	52,282
Total cash flows	(39,424)	-	-	(39,424)
Closing balance - assets	50,244	(8,819)	(25,719)	15,706
Closing balance - liabilities	(25,181)	(686)	987	(24,880)
Closing balance (net) as at 31 December	25,063	(9,505)	(24,732)	(9,174)

11. Liabilities from insurance contracts issued (gross) (continued)

In NZD'000	2022			Total
	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM (contractual service margin)	
Opening balance - assets	-	-	-	-
Opening balance - liabilities	2,622	(8,432)	(23,288)	(29,098)
Opening balance (net) as at 1 January	2,622	(8,432)	(23,288)	(29,098)
Changes in the statement of comprehensive income				
Changes that relate to <i>current services</i>				
CSM recognised for services provided	-	-	1,688	1,688
Change in risk adjustment for non-financial risk for risk expired	-	1,096	-	1,096
Experience adjustments and change in estimates	16,678	(6)	-	16,672
	16,678	1,090	1,688	19,456
Changes that relate to <i>future services</i>				
Contracts initially recognised in the year	2,197	(1,064)	(1,133)	-
Changes in estimates that adjust the CSM	(13,405)	(1,353)	14,758	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(1,513)	-	-	(1,513)
	(12,721)	(2,417)	13,625	(1,513)
Changes that relate to <i>past services</i>				
Adjustments to liabilities for incurred claims	(8,773)	-	-	(8,773)
	(8,773)	-	-	(8,773)
Insurance service result	(4,816)	(1,327)	15,313	9,170
Net finance (income)/expenses from insurance contracts issued	10,169	1,172	(425)	10,916
Total changes in the statement of comprehensive income	5,353	(155)	14,888	20,086
Actual experience in the statement of comprehensive income which is not in the movement of liabilities for incurred claims	2,196	-	-	2,196
Cash flows				
Premiums	(31,571)	-	-	(31,571)
Claims and directly attributable expenses	47,893	-	-	47,893
Total cash flows	16,322	-	-	16,322
Closing balance - assets	48,158	(7,628)	(8,400)	32,130
Closing balance - liabilities	(21,665)	(959)	-	(22,624)
Closing balance (net) as at 31 December	26,493	(8,587)	(8,400)	9,506

11. Liabilities from insurance contracts issued (gross) (continued)

Maturities of remaining contractual net cash flows and contractual service margin

In NZD'000	2023	
	Remaining contractual net cash flows	Contractual service margin
Due in one year	21,180	(890)
Due after one through two years	(2,388)	(2,235)
Due after two through three years	1,056	(2,091)
Due after three through four years	1,893	(1,972)
Due after four through five years	2,311	(1,839)
Due after five through ten years	8,978	(7,717)
Due after ten through twenty years	(10,202)	(10,535)
Due after twenty years	(35,367)	(8,300)
Discounting	28,097	10,847
Total	15,558	(24,732)
	2022	
In NZD'000	Remaining contractual net cash flows	Contractual service margin
Due in one year	18,564	(2,913)
Due after one through two years	13,182	(1,578)
Due after two through three years	(3,226)	(396)
Due after three through four years	(2,035)	(364)
Due after four through five years	(1,609)	(341)
Due after five through ten years	(4,704)	(1,443)
Due after ten through twenty years	(4,659)	(1,845)
Due after twenty years	(5,968)	(941)
Discounting	8,361	1,421
Total	17,906	(8,400)

12. Reinsurance contract assets and liabilities

Movement in carrying amount of the liabilities for remaining coverage and incurred claims

	2023			Total
	Remaining coverage component	Loss recovery component	Incurred claims	
	Excluding loss recovery component			
In NZD'000				
Opening balance - assets	633	-	100	733
Opening balance - liabilities	(77,213)	-	4,756	(72,457)
Net balance as at 1 January	(76,580)	-	4,856	(71,724)
Changes in the statement of comprehensive income:				
Recoveries of incurred claims and other insurance service expenses	(3,941)	512	45,538	42,109
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	(1,676)	-	(1,676)
Reinsurance revenue	(3,941)	(1,164)	45,538	40,433
Reinsurance expenses	(53,086)	-	-	(53,086)
Results from reinsurance contracts (retroceded)	(57,027)	(1,164)	45,538	(12,653)
Finance income from reinsurance contracts held	(16,003)	-	(69)	(16,072)
Total changes in the statement of comprehensive income	(73,030)	(1,164)	45,469	(28,725)
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses	66,549	-	-	66,549
Recoveries from reinsurance	-	-	(40,250)	(40,250)
Cash flows total	66,549	-	(40,250)	26,299
Closing balance - assets	-	-	-	-
Closing balance - liabilities	(83,061)	(1,164)	10,075	(74,150)
Closing balance (net) as at 31 December	(83,061)	(1,164)	10,075	(74,150)

12. Reinsurance contract assets and liabilities (continued)

In NZD'000	2022			Total
	Remaining coverage component		Incurred claims	
	Excluding loss recovery component	Loss recovery component		
Opening balance - assets	963	-	1,100	2,063
Opening balance - liabilities	(47,295)	-	10,194	(37,101)
Net balance as at 1 January	(46,332)	-	11,294	(35,038)
Changes in the statement of comprehensive income:				
Recoveries of incurred claims and other insurance service expenses	(3,514)	-	37,162	33,648
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	-	-	-
Reinsurance revenue	(3,514)	-	37,162	33,648
Reinsurance expenses	(40,521)	-	-	(40,521)
Results from reinsurance contracts (retroceded)	(44,035)	-	37,162	(6,873)
Finance income from reinsurance contracts held	(6,555)	-	(1,266)	(7,821)
Total changes in the statement of comprehensive income	(50,590)	-	35,896	(14,694)
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses	20,342	-	-	20,342
Recoveries from reinsurance	-	-	(42,334)	(42,334)
Cash flows total	20,342	-	(42,334)	(21,992)
Closing balance - assets	633	-	100	733
Closing balance - liabilities	(77,213)	-	4,756	(72,457)
Closing balance (net) as at 31 December	(76,580)	-	4,856	(71,724)

12. Reinsurance contract assets and liabilities (continued)

Movement in carrying amount by measurement component

In NZD'000	2023		CSM	Total
	Estimates of present value of future cash flows	Risk adjustment for non financial risk		
Opening balance - assets	733	-	-	733
Opening balance - liabilities	(80,058)	6,003	1,598	(72,457)
Closing balance (net) as at 1 January	(79,325)	6,003	1,598	(71,724)
Changes in the statement of comprehensive income:				
Changes that relate to <i>current services</i>				
CSM recognised for services received	-	-	(2,178)	(2,178)
Change in risk adjustment for non-financial risk for risk expired	-	(1,841)	-	(1,841)
Experience adjustments and change in estimates	(7,863)	905	-	(6,958)
	(7,863)	(936)	(2,178)	(10,977)
Changes that relate to <i>future services</i>				
Contracts initially recognised in the year	(1,052)	213	839	-
Changes in estimates that adjust the CSM	(1,738)	1,213	525	-
Changes in estimates that relate to losses and reversal of losses underlying onerous contracts	(1,676)	-	-	(1,676)
	(4,466)	1,426	1,364	(1,676)
Changes that relate to <i>past services</i>				
Changes to incurred claims component	(71)	71	-	-
	(71)	71	-	-
Net expenses from reinsurance contracts	(12,400)	561	(814)	(12,653)
Net finance expenses from reinsurance contracts	(16,617)	457	88	(16,072)
Total changes in the statement of comprehensive income	(29,017)	1,018	(726)	(28,725)
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses	66,549	-	-	66,549
Recoveries from reinsurance	(40,250)	-	-	(40,250)
Cash flows total	26,299	-	-	26,299
Closing balance - assets	1,840	-	(1,840)	-
Closing balance - liabilities	(83,883)	7,021	2,712	(74,150)
Closing balance (net) as at 31 December	(82,043)	7,021	872	(74,150)

12. Reinsurance contract assets and liabilities (continued)

In NZD'000	2022			
	Estimates of present value of future cash flows	Risk adjustment for non financial risk	CSM	Total
Opening balance - assets	2,063	-	-	2,063
Opening balance - liabilities	(54,832)	6,212	11,519	(37,101)
Closing balance (net) as at 1 January	(52,769)	6,212	11,519	(35,038)
Changes in the statement of comprehensive income:				
Changes that relate to <i>current services</i>				
CSM recognised for services received	-	-	(488)	(488)
Change in risk adjustment for non-financial risk for risk expired	-	(1,658)	-	(1,658)
Experience adjustments and change in estimates	(11,748)	829	-	(10,919)
	(11,748)	(829)	(488)	(13,065)
Changes that relate to <i>future services</i>				
Contracts initially recognised in the year	(1,358)	295	1,063	-
Changes in estimates that adjust the CSM	9,580	1,144	(10,724)	-
Changes in estimates that relate to losses and reversal of losses underlying onerous contracts	-	-	-	-
	8,222	1,439	(9,661)	-
Changes that relate to <i>past services</i>				
Changes to incurred claims component	6,174	18	-	6,192
	6,174	18	-	6,192
Net expenses from reinsurance contracts	2,648	628	(10,149)	(6,873)
Net finance expenses from reinsurance contracts	(7,212)	(837)	228	(7,821)
Total changes in the statement of comprehensive income	(4,564)	(209)	(9,921)	(14,694)
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses	20,342	-	-	20,342
Recoveries from reinsurance	(42,334)	-	-	(42,334)
Cash flows total	(21,992)	-	-	(21,992)
Closing balance - assets	733	-	-	733
Closing balance - liabilities	(80,058)	6,003	1,598	(72,457)
Closing balance (net) as at 31 December	(79,325)	6,003	1,598	(71,724)

12. Reinsurance contract assets and liabilities (continued)

Amounts determined on transition to NZ IFRS 17

CSM by transition method - Reinsurance contracts held

In NZD'000	2023		
	Contracts measured under the fair value approach at transition	New contracts	Total
CSM as at 1 January	2,679	(1,081)	1,598
Changes that relate to current service			
CSM recognised for services received	(576)	(1,602)	(2,178)
Changes that relate to future service			
Contracts initially recognised in the year	-	839	839
Changes in estimates that adjust the CSM	(3,209)	3,734	525
	(3,785)	2,971	(814)
Net finance expenses from reinsurance contracts	70	18	88
Total amounts recognised in statement of comprehensive income	(3,715)	2,989	(726)
CSM as at 31 December	(1,036)	1,908	872

In NZD'000	2022		
	Contracts measured under the fair value approach at transition	New contracts	Total
CSM as at 1 January	11,519	-	11,519
Changes that relate to current service			
CSM recognised for services received	(488)	-	(488)
Changes that relate to future service			
Contracts initially recognised in the year	-	1,063	1,063
Changes in estimates that adjust the CSM	(8,561)	(2,163)	(10,724)
	(9,049)	(1,100)	(10,149)
Net finance expenses from reinsurance contracts	210	18	228
Total amounts recognised in statement of comprehensive income	(8,839)	(1,082)	(9,921)
CSM as at 31 December	2,680	(1,082)	1,598

12. Reinsurance contract assets and liabilities (continued)

Maturities of remaining contractual net cash flows and contractual service margin

In NZD'000	2023	
	Remaining contractual net cash flows	Contractual service margin
Due in one year	(38,183)	(1,327)
Due after one through two years	(4,639)	88
Due after two through three years	(4,356)	70
Due after three through four years	(4,125)	77
Due after four through five years	(3,936)	80
Due after five through ten years	(17,371)	451
Due after ten through twenty years	(14,066)	1,337
Due after twenty years	(7,685)	1,659
Discounting	19,339	(1,563)
Total	(75,022)	872

In NZD'000	2022	
	Remaining contractual net cash flows	Contractual service margin
Due in one year	(17,244)	1,544
Due after one through two years	(21,061)	587
Due after two through three years	(5,534)	(136)
Due after three through four years	(4,900)	(123)
Due after four through five years	(4,477)	(103)
Due after five through ten years	(17,650)	(296)
Due after ten through twenty years	(18,381)	5
Due after twenty years	(8,780)	133
Discounting	24,705	(13)
Total	(73,322)	1,598

13. Other assets

In NZD'000	2023	2022
Other assets		
Payments for contracts issued and retroceded	24,003	24,893
Advance tax paid	714	-
	24,717	24,893

Payments for contracts issued and retroceded

This line item represents cash payments that were not yet allocated to the technical liabilities from insurance contracts issued and insurance contracts retroceded at the reporting date. These will be allocated to specific insurance contracts and insurance contracts retroceded upon posting and matching of actual life insurance and reinsurance revenues.

14. Income tax

In NZD'000	2023	2022
Current tax expense		
Current year	-	1,633
Prior year	1	1
	1	1,634
Deferred tax (benefit)		
Reversal of temporary differences		
- Current year	(1,461)	(1,621)
	(1,461)	(1,621)
Total income tax (benefit)/expense disclosed in statement of comprehensive income	(1,460)	13
Reconciliation between tax (benefit)/expense and pre-tax net (loss)		
Net (loss) before tax	(5,622)	(1,017)
Prima facie income tax (benefit)/expense calculated at 28% (2022: 28%) on the (loss) from ordinary activities for the year ended 31 December:	(1,574)	(285)
Increase/(decrease) in income tax expense due to:		
- Over provision from prior year	1	1
- Other	113	297
Income tax (benefit)/expense on pre-tax loss	(1,460)	13

In New Zealand, business is subject to tax in accordance with the Income Tax Act 2007 at a rate of 28% (2022: 28%).

Recognised deferred tax (assets) and liabilities

In NZD'000	(Assets)		Liabilities		Net Tax (Assets)/Liabilities	
	2023	2022	2023	2022	2023	2022
Life insurance contract liabilities	-	-	9,078	2,282	9,078	2,282
Tax value of loss carry-forward recognised	(8,257)	-	-	-	(8,257)	-
Net deferred tax (assets) / liabilities	(8,257)	-	9,078	2,282	821	2,282

In NZD'000	2023		
	Opening balance	Recognised in Income	Closing balance
Movements in temporary differences during the year			
Life insurance contract liabilities	2,282	6,796	9,078
Tax value of loss carry-forward recognised	-	(8,257)	(8,257)
	2,282	(1,461)	821
In NZD'000	2022		
	Opening balance	Recognised in Income	Closing balance
Movements in temporary differences during the year			
Life insurance contract liabilities	3,903	(1,621)	2,282
Tax value of loss carry-forward recognised	-	-	-
	3,903	(1,621)	2,282

15. Other liabilities

In NZD'000	2023	2022
Other liabilities		
Receipts for contracts issued and retroceded	33,964	33,746
GST payable	335	701
	34,299	34,447

Receipts for contracts issued and retroceded

This line item represents cash receipts that were not yet allocated to the technical liabilities from insurance contracts issued and insurance contracts retroceded at the reporting date. These will be allocated to specific insurance contracts and insurance contracts retroceded upon posting and matching of actual life insurance and reinsurance revenues.

16. Financial instrument risks

The branch has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk

These risks were discussed in Note 4 – Risk management policies and procedures. Further quantitative disclosures are below.

Management determines concentrations by reference to the inherent risks of the financial assets that are actively monitored and managed.

Credit risk exposure

At balance date, the branch had exposure to credit risk on the following financial instruments:

In NZD'000	2023	2022
Cash	4,848	4,831
Financial assets at FVPL – debt securities	131,750	116,793
Other assets	24,717	24,893
Credit risk exposure to financial assets at FVPL by Issuing Sector		
National Government	131,750	116,793
Financial assets at FVPL by credit rating of issuer		
AAA	131,750	116,793

Cash & cash equivalents are held with financial institutions with a credit rating of A and above during the current and prior year.

17. Disaggregated information of life insurance business

Disaggregated information is not relevant as the branch writes only non-investment linked business in a single geographical segment.

18. Directors' and Executive disclosures (key management personnel)

The following were specified Directors and Executives of Hannover Life Re of Australasia Ltd for the entire reporting period, unless otherwise stated.

Non-Executive Independent Directors	Non-Executive Non-Independent Directors	Executive Directors
Mr P. R. Gaydon (Chairman)	Mr C. J. Chèvre (Deputy Chairman)	Mr G. Obertopp
Ms S. G. Everingham	Mr J. J Henchoz	
Mr R. J. Wylie		

Executive Management

G. Obertopp, Actuary (DAV), Managing Director
J. Song, BCom, FIAA, FNZSA - Appointed Actuary
P. Berry, BEc, FIAA, General Manager, Retail Business
S. Carmichael, BA, Chief Risk & Compliance Officer
D. Tallack, BEc, CPA, AGIA, General Manager (Finance) & Company Secretary
J. Walters, FIAA, FSAI, General Manager, Group Business
M. Wilson, BA (Hons), MSc, MBA, Chief Operating Officer

In addition to their salaries, the entity contributes to post employment benefit plans for the entity's Australian resident Non-Executive Directors and Executive Management.

Transactions with key management personnel

The key management personnel compensations for Hannover Life Re of Australasia Ltd, which includes the branch, are as follows:

In NZD	2023	2022
Short term employee benefits	4,711,401	4,124,599
Post employment benefits	239,146	216,935
Other long term benefits	330,355	309,716
	5,280,902	4,651,250

The branch's key management personnel were remunerated by the Australian head office during the current and prior financial year.

Director related transactions

Apart from the details disclosed in this note, no Director has entered into a material contract with the entity since the end of the previous financial year and there were no material contracts involving Directors' interests at year end.

19. Non-Director related parties

Related party transactions

The following related party transactions occurred during the financial year.

- Reinsurance arrangements with related parties: The branch has reinsurance arrangements through related parties of the Hannover Re Group of Companies. During the reporting period the branch restructured these retrocession arrangements to simplify administration and accommodate Group systems.
- Investment management services: Ampega Asset Management GmbH (formerly Talanx Asset Management GmbH), a related party of the Hannover Re Group of Companies provides investment management services to the branch.
- Management services: Hannover Life re of Australasia Ltd's Sydney Australia office provides administration on underwriting services to the branch.

Transactions with related parties

The value of transactions during the year with related parties and the aggregate amounts receivable from and payable to related parties are as follows:

In NZD	2023	2022
Transactions during the year		
Reinsurance revenue (retroceded)	42,757,000	33,645,000
Reinsurance expenses (retroceded)	(53,074,000)	(40,512,000)
Net finance income from reinsurance contracts (retroceded)	(16,171,000)	(7,821,000)
Management services	(5,094,186)	(5,139,235)
Investment management fees	(150,403)	(130,879)
Transfer of retained profits from the Australian entity	-	5,485,500
Payables – Current		
Amounts due to a related party	(9,426,545)	(8,353,773)

No write downs or allowance for doubtful debts were recognised for the balances with related parties. All transactions with related parties were conducted at arm's length. All outstanding balances are due and payable on business terms of credit.

Parent entities

The immediate parent entity is Hannover Rück Beteiligung Verwaltungs-GmbH, a wholly owned subsidiary of Hannover Rück SE. The ultimate parent entity is Haftpflichtverband der Deutschen Industrie V.a.G. (HDI). These parent entities are incorporated in Germany and have their headquarters in Hannover, Germany.

20. Contingencies

In the ordinary course of the business, the branch is involved, at any point in time, in legal action relating to claims under policies of insurance. The Directors believe that no material unfavourable outcome will arise from these legal actions in excess of the amounts provided for in the liabilities for insurance contracts issued in the financial statements.

There were other contingencies from the current or prior periods that require disclosure.

21. Commitments

- The branch has not entered into a lease agreement during the reporting period.
- The branch does not employ staff.
- The branch has not entered into any capital expenditure contracts as at balance date.

There were no commitments from the current or prior periods that require disclosure.

22. Events after the reporting date

There has not arisen in the interval between the end of the financial year and the date of issuance of the financial statements any other item, transactions, or event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of the branch, the results of those operations, or the state of affairs of the branch, in future financial years.

**Hannover Life Re of Australasia Ltd
New Zealand Branch**

Life Insurance – Certificate

We certify that the attached is a true and correct copy of the financial statements of the New Zealand Branch of Hannover Life Re of Australasia Ltd for the year ended 31 December 2023.



P. R. GAYDON
Chairman



G. OBERTOPP
Managing Director

20 March 2024



Independent auditor's report

To the directors of Hannover Life Re of Australasia Ltd

Our opinion

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

What we have audited

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cashflows for the year then ended; and
- the notes to the financial statements, which include material accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Branch.

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Our audit approach

Overview



Overall materiality: \$505,500, which represents approximately 1% of Insurance service revenue.

We chose insurance service revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Branch is most commonly measured by users, and is a generally accepted benchmark.

We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

We have determined that there are two key audit matters:

- Transition to NZ IFRS 17 *Insurance Contracts*
- Valuation of insurance contract liabilities

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

Materiality

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

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

Audit scope

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.



Key audit matter

Transition to NZ IFRS 17 Insurance Contracts (Note 1)

On 1 January 2023, the Branch transitioned to reporting under the new accounting NZ IFRS 17 *Insurance Contracts* which replaced NZ IFRS 4 *Insurance Contracts*.

The Branch evaluated the requirements of NZ IFRS 17 and exercised judgement to develop accounting policies and determine appropriate methodologies in order to comply with NZ IFRS 17. In particular, the cashflows included within the contract boundary of the insurance contracts, the determination of risk adjustment and onerous contract methodologies, and the determination of the discount rate (adjusted for an illiquidity premium to reflect the liquidity characteristics of insurance contracts), were deemed to be significant to the overall impact of transition. The new standard has also had a significant impact on the disclosures in the financial statements.

Due to the significance of the changes introduced by the standard, we considered the transition to the new standard to be a key audit matter.

How our audit addressed the key audit matter

Our procedures included:

- assessing the significant judgements used by the Branch to determine the relevant accounting policies against the requirements of NZ IFRS 17. This included judgements used to determine cashflows within the boundary of a contract, risk adjustment, onerous contracts and discount rates used.
- evaluating the application of the general measurement model for both insurance and reinsurance contracts. This included assessing the underlying significant assumptions used to derive the fulfilment cash flows and related contractual service margin, where applicable, as well as the related revenue recognition.
- evaluating the appropriateness of the methodology used to determine the risk adjustment, including assessing the underlying discounted cash flow model and significant assumptions.
- evaluating the onerous contract methodology used to identify any groups of onerous contracts on transition. Where onerous contracts were identified, we assessed the appropriateness of the significant assumptions and recalculated the relevant loss recovery components.
- assessing the updated discounting methodology, including the determination of the illiquidity premium against the requirements of the standard and comparing to external market data where available.
- testing the supporting calculations related to the material transition adjustments at 1 January 2022, with the standard applied retrospectively.

We also assessed the reasonableness of the new and restated disclosures in the financial report against the requirements of NZ IFRS 17.



Valuation of insurance contract liabilities (Note 2.3 and 11)

As at 31 December 2023, the Branch had \$9.2 million insurance contract liabilities of which there are two components.

The first component relates to the liability for remaining coverage which comprises fulfilment cash flows related to future services to be provided under groups of insurance contracts as well as a risk adjustment, contractual service margin and discounting.

The second component relates to the liability for incurred claims and comprises fulfilment cash flows related to past services provided under groups of insurance contracts which have not yet been paid.

The valuation of insurance contract liabilities involves significant judgement given the complexity involved in the estimation process and the inherent uncertainty. Estimating the valuation of insurance contract liabilities requires a high level of judgement, with risks associated with determining the estimates including the use of inappropriate data, assumptions and calculation methodologies.

The balances are determined using actuarial valuation models and methodologies.

We considered this a key audit matter due to the significant judgement around key assumptions used in determining these balances. In particular, the key assumptions are:

- mortality and morbidity experience on life insurance products
- the cost of providing benefits and administering these insurance contracts
- discontinuance experience, which affects the Branch's ability to recover the cost of acquiring the business over the lives of the contracts.

The risk adjustment is also a key area of judgement given it is intended to reflect the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows associated with insurance contracts that arise from nonfinancial risks.

Our audit procedures included evaluating the design effectiveness and implementation of relevant key actuarial controls, including key data reconciliations and management review of the estimation.

To evaluate the appropriateness of methodologies and assumptions utilised, we, together with PwC actuarial experts:

- evaluated the work of management's expert, being the Appointed Actuary, including his professional competence, capability and objectivity;
- evaluated whether actuarial methodologies were consistent with recognised practices and the prior year;
- assessed the appropriateness of assumptions selected by management by comparing them with our expectations based on experience, current trends and benchmarks, and our industry knowledge; and
- reviewed any new or significant insurance treaties and terms.
- tested the discount rate applied through evaluating yield curves, claims payment patterns and the adopted illiquidity premium. This included comparing the rates applied to external market data and the payment patterns to historical information.
- evaluated the relevant underlying calculations used to derive the risk adjustment, including the significant assumptions.

For data used in the actuarial valuation models, we:

- tested a sample of insurance service revenue received, claims paid, reinsurance recoveries and reinsurance premium ceded during the year to supporting documentation.

We also assessed the reasonableness of the related disclosures in the financial report against the requirements of NZ IFRS 17.



Other information

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.



Who we report to

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

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

For and on behalf of:

A handwritten signature in black ink, appearing to read 'Paula Latta Loop', is written in a cursive style.

Chartered Accountants
20 March 2024

Sydney

Appointed Actuary's Section 78 Report

To the Directors of Hannover Life Re of Australasia Ltd

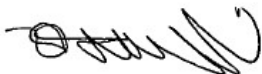
In respect of the Financial Statements of the New Zealand Branch 31 December 2023

This report is prepared under sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010 (the Act) which requires that a licensed insurer must ensure that the actuarial information contained in, or used in the preparation of, the insurer's financial statements is reviewed by the Appointed Actuary. This report is in respect of the financial statements of the New Zealand Branch of Hannover Life Re of Australasia Ltd (the Branch) for the 12-month period ending on 31 December 2023.

- (a) This report has been prepared by Jun Song BCom, FIAA, FNZSA; Appointed Actuary to Hannover Life Re of Australasia Ltd.
- (b) I have undertaken a review of the financial statements of the Branch as required by Section 77 of the Act. My review has been carried out in accordance with the Interim Solvency Standard 2023 (as modified by the licence conditions of the Branch) (the Life Solvency Standard) and in accordance with the New Zealand Society of Actuaries' Professional Standards.
- (c) The actuarial information reviewed was:
 - (i) information relating to the Branch's claims, discontinuance, discount and inflation actuarial assumptions;
 - (ii) information relating to the Branch's calculation of insurance service revenue, insurance service expense, reinsurance expenses, liability for remaining coverage, liability for incurred claims, contractual service margin and risk adjustment.
 - (iii) information relating to assessments of the probability of uncertain future events occurring (sensitivity analysis) and the financial implications for the Branch if those events do occur; and
 - (iv) information relating to the capital and solvency position of the Branch.

There were no restrictions or limitations placed on my work.

- (d) Other than my relationship with the Branch as Appointed Actuary, I am an employee of Hannover Life Re of Australasia Ltd. I do not have any other relationship with, or interest in, the Branch.
- (e) I obtained all of the information and explanations that I required.
- (f) In my opinion and from an actuarial perspective:
 - (i) the actuarial information included in the financial statements of the Branch was appropriately included in those financial statements, and
 - (ii) the actuarial information used in the preparation of the financial statements of the Branch was used appropriately.
- (g) As at 31 December 2023, the solvency margins that apply to Hannover Life Re of Australasia Ltd and its statutory funds under conditions imposed under section 21(2)(b) and (c) of the Act are the solvency margins calculated in accordance with the Australian equivalent of the Life Solvency Standard. In my opinion and from an actuarial perspective, Hannover Life Re of Australasia Ltd and its statutory funds maintained those solvency margins as at 31 December 2023.



Jun Song
Appointed Actuary
14 March 2024