HANNOVER LIFE RE OF AUSTRALASIA LTD
ABN 37 062 395 484

FINANCIAL REPORT
YEAR ENDED 31 DECEMBER 2022

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FINANCIAL REPORT

Company Particulars

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Directors
P. R. Gaydon, BCom, CA, MAICD, Chairman
C.J. Chèvre, MSc, Deputy Chairman
S.G. Everingham, B.Ec LLM (Tax), CPA, GAICD
J J Henchoz, BA PolSc, MBA
R.J. Wylie, BA
G. Obertopp, Actuary (DAV), Managing Director

Executive
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

Auditors
PricewaterhouseCoopers

Directors' Report

For the year ended 31 December 2022

The Directors have pleasure in presenting their report together with the financial report of Hannover Life Re of Australasia Ltd (the entity) for the year ended 31 December 2022 and the auditor's report thereon.

Directors

The Directors of the entity at any time during or since the end of the financial year, up to the date of this report are:

Mr Peter Richard Gaydon, BCom, CA, MAICD
Chairman
Independent Non-Executive Director
Age 72

Mr Gaydon was employed by the international accounting firm Ernst & Young for over 40 years and was client service partner to a number of insurance companies in Australia. Mr Gaydon was also involved in insurance industry development activity across Asia and was with Ernst & Young in Japan for almost 6 years. Mr Gaydon is currently a Director of Magenta Shores Golf Club.

Member of the Board Audit, Board Risk and Board Remuneration Committees.
Director and Chairman since 2016.

Mr Claude Jacques Chèvre, MSc
Deputy Chairman
Non-Executive Director
Age 55

Mr Chèvre is a member of the Executive Board of Hannover Rück SE and a member of various other Boards within the Hannover Re Group of companies.

Member of the Board Remuneration Committee.
Director since 2011 and Deputy Chairman since 2012.

Ms Susan Granville Everingham, B.Ec LLM (Tax), CPA, GAICD
Independent Non-Executive Director
Age 63

Ms Everingham has held a number of senior positions within Henry Davis York, BT Financial Group, Commonwealth Bank and a number of law firms and has had over 34 years' experience in the financial services industry. Ms Everingham currently sits on the Board of Equity Trustees Superannuation Ltd and HTFS Nominees Pty Ltd atf Hub 24 Super Fund and sat on the Board of Destination Southern NSW Ltd until 30 June 2022.

Chair of the Board Audit and Board Remuneration Committees and member of the Board Risk Committee.
Director since 2017.

Directors' Report

For the year ended 31 December 2022

Mr Jean Jacques Henchoz, BA PolSc, MBA
Non-Executive Director
Age 58

Mr Henchoz is Chair of the Executive Board of Hannover Rück SE and a member of various other Boards within the Hannover Re Group of companies.
Director since 2019.

Mr Gerd Obertopp, Actuary (DAV)
Managing Director
Age 62

Mr Obertopp has been in the Reinsurance industry for over 34 years and has previously been Managing Director of entities in the Hannover Re Group in South Africa and Hong Kong. .
Managing Director since 2015.

Mr Robert John Wylie, BA
Independent Non-Executive Director
Age 73

Mr Wylie has previously held a number of senior positions within the insurance industry and has had over 41 years' experience in the financial services industry. Mr Wylie has extensive experience as a Director.

Chair of the Board Risk Committee and member of the Board Audit Committee.
Director since 2017.

Company Secretary

Mr David Tallack BEc, CPA, AGIA has held the position of Company Secretary since 2006. Mr Tallack is a member of Governance Institute of Australia and holds a Graduate Diploma of Applied Corporate Governance.

Directors' Report

For the year ended 31 December 2022

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the entity during the financial year are:

Director	Directors' Meetings		Board Audit Committee Meetings		Board Risk Committee Meetings		Board Remuneration Committee	
	A	B	A	B	A	B	A	B
*# Mr P Gaydon	4	4	2	2	4	4	2	2
# Mr C Chèvre	4	4	-	-	-	-	2	2
*# Ms S Everingham	4	4	2	2	4	4	2	2
Mr JJ Henchoz	4	4	-	-	-	-	-	-
* Mr R Wylie	4	4	2	2	4	4	-	-
Mr G Obertopp	4	4	2	2	4	4	2	2

A - number of meetings attended
B - number of meetings held during the time the Director held office during the year
* - member of Board Audit and Board Risk Committee
# - member of Board Remuneration Committee

Principal activities

The principal activities of the entity during the course of the financial year were the transaction of life reinsurance and life insurance business. The entity provides risk carrying and associated services to insurance offices transacting life and disability insurance risk business. It also provides risk carrying and associated services to employers and trustees of superannuation plans in respect of group life insurances and retail policyholders via direct marketed distribution arrangements.

Review and results of operations

The entity recorded a loss before tax for the 2022 financial year of $85.4m (2021: profit of $12.7m). The 2022 pre-tax losses are the result of a decrease in the market value of the entity's fixed interest portfolio arising from the substantial increase in Australian and New Zealand bond yields during the year. The decrease in market value is reflected in the Fair Value Losses on Financial Assets of $468.7m. These losses were largely offset by a decrease in interest rate sensitive policy liabilities.

In addition to the Fair Value Losses on the investment portfolio, the result for the year benefited from favourable claims experience.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the entity that occurred during the financial year under review that are not otherwise dealt with in this report or financial statements.

Dividends

The entity declared a dividend of $5m on 3 March 2022. (2021: Nil).

Directors' Report

For the year ended 31 December 2022

Events subsequent to reporting date

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

Likely developments

The entity will continue to pursue its objective of providing insurance and reinsurance products to clients and policyholders in a manner that generates beneficial outcomes for those clients and policyholders. The entity will also continue to seek appropriate returns on shareholders' equity and long term growth in its business consistent with increased profits on a year to year basis.

Environmental regulation

The operations of the entity are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or of any States or Territories. The entity has not incurred any liability (including rectification costs) under any environmental legislation.

Indemnification and insurance of Directors and Officers

Indemnification

In accordance with the entity's Constitution, the entity has agreed to indemnify all current and past Directors and Officers of the entity to the fullest extent permitted by the law, against a liability incurred by that person as a Director or Officer of the entity including, without limitation, legal costs and expenses incurred in defending an action.

No such insurance cover has been provided for the benefit of any external auditor of the entity.

Insurance Premiums

Since the end of the previous financial year, the entity has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses insurance contracts for current and former Directors and Officers including Executive Officers of the entity. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' Liability insurance contract, as such disclosure is prohibited under the terms of the contract.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included after the Corporate Governance Statement and forms part of the Directors' Report for the financial year.

Rounding off

The entity is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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Directors' Report

For the year ended 31 December 2022

Auditor

PricewaterhouseCoopers, Chartered Accountants, continue in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.

P. R. Gaydon
Chairman

Sydney
29 March 2023

Corporate Governance Statement

For the year ended 31 December 2022

This Statement outlines the main corporate governance practices in place 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 referrable to the Statutory Funds of the entity.

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 Directors' Report. 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 2022

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 2022

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 proprietary 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 1038 *Life 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

Corporate Governance Statement

For the year ended 31 December 2022

- 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.

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.

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Auditor's Independence Declaration

As lead auditor for the audit of Hannover Life Re of Australasia Ltd for the year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

R Balding
Partner
PricewaterhouseCoopers

Sydney
29 March 2023

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Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Revenue			
Life insurance contract premium revenue		1,866,821	1,790,539
Outwards reinsurance expense		(1,308,276)	(1,227,820)
Net life insurance premium revenue		558,545	562,719
Interest income		89,929	83,568
Net fair value (loss) on financial assets at fair value through profit or loss		(468,717)	(150,585)
Other income	7(a)	3,571	2,397
Total revenue and other income		183,328	498,099
Claims and expenses			
Life insurance contract claims expense		(997,976)	(980,240)
Reinsurance recoveries revenue		1,064,667	933,205
Net life insurance claims recovery/(expense)		66,691	(47,035)
Change in life insurance contract liabilities	8(a)	(114,259)	(234,046)
Change in reinsurer's share of life insurance contract liabilities	8(a)	161,499	164,063
		113,931	(117,018)
Other expenses	7(b)	(379,818)	(366,157)
Finance costs paid	20	(2,846)	(2,297)
Net claims and expenses		(268,733)	(485,472)
(Loss)/profit before income tax		(85,405)	12,627
Income tax benefit/(expense)	16(a)	14,321	(6,723)
(Loss)/profit for the year attributable to the entity	7(c)	(71,084)	5,904
Other comprehensive income			
Items that may be reclassified to profit or loss			
Gains on cash flow hedges		3,357	-
Income tax on cash flow hedges reserve movement	16(a)	(1,007)	-
Foreign currency translation reserve movement		78	35
Items that will not be reclassified to profit or loss			
Defined benefit plan reserve movement		1,712	1,318
Income tax on defined benefit plan reserve movement	16(a)	(514)	(395)
Total comprehensive income for the year		(67,458)	6,862

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

Statement of Financial Position
as at 31 December 2022

	Note	2022 $'000	2021 $'000
Assets			
Cash and cash equivalents	17	144,924	172,707
Trade and other receivables	9	158,225	133,738
Financial assets at fair value through profit or loss	18	3,328,198	3,393,564
Derivative financial instruments	23	3,343	-
Property, plant and equipment	10	3,851	4,253
Current tax assets		-	65
Deferred tax assets	16(b)	69,438	55,136
Defined benefit pension asset	21(b)	1,049	-
Intangible assets	12	4,053	6,197
Right of use assets	20	22,075	25,192
Total assets		3,735,156	3,790,852
Liabilities			
Trade and other payables	11	144,414	76,334
Lease liability	20	30,084	33,000
Employee benefits	13	6,194	6,186
Defined benefit pension liability	21(b)	-	664
Current tax liabilities		541	-
Gross life insurance contract liabilities	8(a)	2,349,393	2,236,793
Reinsurers' share of life insurance contract liabilities	8(a)	681,582	842,469
Subordinated loans	22	47,000	47,000
Total liabilities		3,259,208	3,242,446
NET ASSETS		475,948	548,406
EQUITY			
Contributed equity	14(a)	150,000	150,000
Reserves	14(b)	61,521	57,895
Retained profits		264,427	340,511
TOTAL EQUITY		475,948	548,406

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

Statement of Changes in Equity
For the year ended 31 December 2022

	Share Capital	Translation Reserve	Defined Benefit Reserve	Other Reserve	Hedging Reserve	Retained Profits	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2022	150,000	4,562	(6,667)	60,000	-	340,511	548,406
Profit for the year	-	-	-	-	-	(71,084)	(71,084)
Other comprehensive income							
Net gains on cash flow hedges	-	-	-	-	2,350	-	2,350
Foreign currency translation	-	78	-	-	-	-	78
Net defined benefit liability	-	-	1,198	-	-	-	1,198
Total comprehensive income for the year	-	78	1,198	-	2,350	(71,084)	(67,458)
Dividend paid	-	-	-	-	-	(5,000)	(5,000)
Balance at 31 December 2022	150,000	4,640	(5,469)	60,000	2,350	264,427	475,948

	Share Capital	Translation Reserve	Defined Benefit Reserve	Other Reserve	Hedging Reserve	Retained Profits	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2021	150,000	4,527	(7,590)	60,000	-	334,607	541,544
Profit for the year	-	-	-	-	-	5,904	5,904
Other comprehensive income							
Net gains on cash flow hedges	-	-	-	-	-	-	-
Foreign currency translation	-	35	-	-	-	-	35
Net defined benefit liability	-	-	923	-	-	-	923
Total comprehensive income for the year	-	35	923	-	-	5,904	6,862
Dividend paid	-	-	-	-	-	-	-
Balance at 31 December 2021	150,000	4,562	(6,667)	60,000	-	340,511	548,406

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

Statement of Cash Flows
For the year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Cash flow from operating activities			
Premium received		1,843,521	1,784,018
Retrocession premium paid		(1,277,222)	(1,227,820)
Policy payments		(979,969)	(971,823)
Commissions paid		(311,915)	(310,038)
Reinsurance and other recoveries received		1,067,880	930,783
Interest paid - subordinated loans		(1,184)	(526)
Payments to suppliers and employees		(56,251)	(54,438)
Claim deposits (settled)/received		(2,868)	2,406
Income tax paid		(917)	(959)
Interest received		89,448	82,673
Other revenue received		3,571	2,397
Net cash inflow from operating activities	17	374,094	236,673
Cash flow from investing activities			
Payments for financial assets at fair value through profit or loss		(1,116,828)	(1,670,498)
Proceeds from sale of financial assets at fair value through profit or loss		724,502	1,437,204
Payments for property, plant & equipment		(270)	(233)
Payments for system development costs		(128)	(2,085)
Net cash outflow from investing activities		(392,724)	(235,612)
Cash flow from financing activities			
Dividend paid		(5,000)	-
Lease payments		(4,183)	(3,568)
Subordinated loans received		-	47,000
Net cash (outflow)/inflow from financing activities		(9,183)	43,432
Net (decrease)/increase in cash held		(27,783)	44,493
Cash and cash equivalents at the beginning of the financial year		172,707	128,241
Effects of exchange rate changes on the opening balance of cash and cash equivalents		30	(27)
Cash and cash equivalents at the end of the financial year	17	144,924	172,707

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

Contents of the Notes to the Financial Statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this Financial Report are set out below. These policies have been consistently applied, unless otherwise stated.

(a) Basis of presentation

The entity is incorporated and domiciled in Australia. The registered office of the entity is Tower 1, Level 33, 100 Barangaroo Avenue, Sydney NSW 2000, Australia. The entity is a public company limited by shares. The entity is a for-profit entity for the purpose of preparing financial statements. This Financial Report includes the financial results and position of the entity's New Zealand branch.

This Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. This Financial Report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

This Financial Report is prepared in accordance with the fair value basis of accounting with certain exceptions as described in the accounting policies below.

The preparation of this Financial Report in conformity with AASBs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Report have been disclosed in Note 2.

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

This Financial Report is presented in Australian Dollars, which is the entity's functional currency. The entity is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This Financial Report is prepared on a liquidity basis as this provides more reliable and relevant information.

This Financial Report was authorised for issue by the Board of Directors on 29 March 2023. The Directors have the power to amend and reissue this Financial Report.

(b) Principles for life insurance business

The life insurance operations of the entity are conducted within separate statutory funds as required by the *Life Insurance Act 1995* (Life Act) and are reported in aggregate with the shareholder's fund in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows. The life insurance operations of the entity comprise of the insurance and reinsurance of individual and group death, total and permanent disability, trauma and income protection business in Australia and New Zealand.

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 entity, and the financial risks are substantially borne by the entity.

The life insurance operations consist of non-investment linked business only. All business written by the entity is non-participating and all profits and 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.*

(c) Premiums and claims

Premiums and claims have been classified as revenue and expense respectively as the entity only issues life insurance contract risk products. Premium is recognised as revenue on an accruals basis. Claims are recognised when the liability to the policy owner under the policy owner contract has been established or upon notification of the insured event depending on the type of claim.

(d) Liabilities

(i) Life Insurance contract liabilities

Life insurance contract liabilities are measured at net present values of estimated future cash flows or, where the result would not be materially different, as the accumulated benefits available to policyholders. Applicable reinsurance recoveries are brought to account on the same basis as life insurance contract liabilities. Changes in life insurance contract liabilities are recognised in the Statement of Comprehensive Income in the financial year in which they occur. Profit margins are released over each reporting period in line with the services that have been provided. The balance of the planned profit margins is deferred by including them in the value of the life insurance contract liabilities. Further details of the actuarial assumptions used in these calculations are set out in Note 3.

(ii) Trade and other payables

Trade and other payables are measured at book value, which is the best estimate of fair value. Trade payables are non-interest bearing and settled on normal commercial terms.

(iii) Subordinated loans

Subordinated loans are initially measured at fair value net of transaction costs directly attributable to the transaction and are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised through profit or loss over the period of the subordinated loans using the effective interest method. Fair value of subordinated loans is disclosed in the Fair value hierarchy Note 18.

(e) Assets backing life insurance contract liabilities

The entity has determined that all assets held within its statutory funds are assets backing life insurance contract liabilities. The measurement of these liabilities incorporates current information and measuring the financial assets backing these life insurance contract liabilities at fair value eliminates or significantly reduces a potential measurement inconsistency which would arise if the financial assets were classified as available for sale or measured at amortised cost. In addition, the use of fair value with changes in fair value taken to profit and loss is consistent with key elements of the entity's risk management framework. Consequently all financial assets within the statutory funds are measured at fair value (excluding trade and other receivables) as at the reporting date.

Financial assets

(i) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the entity commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the entity has transferred substantially all the risks and rewards of ownership.

(ii) Valuation

Upon initial recognition, financial assets are designated at fair value through profit or loss. Gains and losses on subsequent measurement to fair value or on sale are recognised through profit or loss. Fair value is determined as follows:

- Cash assets are carried at face value of the amounts deposited. The carrying amounts of cash assets approximate their fair value. For the purpose of the Statement of Cash Flows, cash includes cash on hand, deposits held at call with banks and investments in money market investments.
- The fair value of listed fixed interest securities is taken as the bid price of the instruments.
- Trade and other receivables are carried at amortised cost, which is the best estimate of fair value, as they are settled within a short period from the reporting date.

(iii) Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The financial assets are assessed collectively in groups that share similar risk characteristics.

Impairment losses are recognised through profit or loss.

(iv) Interest Income

Interest income is recognised using the effective interest rate method.

(f) Shareholders fund assets

Financial assets which do not back life insurance liabilities are designated at fair value through profit or loss. Plant and equipment are initially recorded at cost and depreciated on either a straight line or diminishing value basis over their estimated useful lives. The depreciation is charged to the profit or loss.

Depreciation rates and methods are reviewed annually. When changes are made, adjustments are reflected prospectively in current and future periods only.

(g) Deferred acquisition costs

Acquisition costs are capitalised when they relate to the fixed and variable costs incurred to acquire new business during the financial year. General growth and development costs incurred are excluded from capitalisation. The actual acquisition costs incurred are recorded in the Statement of Comprehensive Income.

The Appointed Actuary, in determining the life insurance contract liabilities, takes account of the deferral of policy acquisition costs and assesses the value and future recovery of these costs. These deferred amounts are recognised in the Statement of Financial Position as a reduction in “life insurance contract liabilities” and are amortised through the Statement of Comprehensive Income over the period that they are deemed to be recoverable. The impact of this deferral is reflected in “change in life insurance contract liabilities” in the Statement of Comprehensive Income.

The acquisition costs deferred are determined as the actual costs incurred subject to an overall limit that the value of future profits at inception cannot be negative. Acquisition losses are recognised at inception to the extent the latter situation arises.

(h) Contracts without substantial insurance risk transfer

The entity has contracts of insurance that do not involve the transfer of substantial insurance risk. These contracts are dealt with in accordance with AASB 15 *Revenue from Contracts with Customers* and any premium received or claims paid in relation to these contracts are not reported as insurance revenue.

(i) Outwards reinsurance expense

Premium ceded to reinsurers in exchange for reinsurance protection is expensed in profit or loss from the attachment date in accordance with the reinsurance contracts' expected pattern of incidence of risk.

(j) Income Tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the entity and its branch operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Report. 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 and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income in which case the tax is also recognised in other comprehensive income.

(k) Recoverability of deferred tax assets

The entity assesses the recoverability of deferred tax assets at each reporting date. In making this assessment, the entity 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.

(l) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand and deposits at call which are readily convertible to cash on hand and which are used for operational cash requirements. Amounts in cash and cash equivalents are the same as those included in the statement of cash flows.

The reconciliation of profit or loss after income tax to cash flows from operating activities is included in Note 17.

(m) Trade and other receivables

Receivables are initially recognised at fair value and are subsequently measured at amortised cost less any impairment. A provision for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivable. Any increase or decrease in the provision for impairment is recognised in profit or loss within underwriting expenses.

(n) Intangibles

This is the cost of acquired software which is capitalised and amortised over periods of up to 5 years, reflecting the period during which the entity is expected to benefit from the use of the software.

(o) Translation of foreign operations

The Statement of Comprehensive Income and Statement of Financial Position of the New Zealand branch that has New Zealand dollars as the functional currency different from the entity's presentation currency of Australian dollars are translated into Australian dollars as follows:

- Income, expenses and other current period movements in the Statement of Comprehensive Income are translated at the exchange rate at the beginning of each month; and
- Statement of Financial Position items are translated at the closing balance date rates of exchange.

In the Financial Report, exchange differences arising from the translation of the foreign operations are taken to equity and recognised in other comprehensive income. When a foreign operation is sold in whole or part and retained profits are repatriated, exchange differences on translation from the New Zealand branch's functional currency to the entity's functional currency of Australian dollars are reclassified out of other comprehensive income and recognised in profit or loss as part of the gain or loss on sale.

(p) Basis of expense apportionments

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

Expenses are apportioned between statutory funds as follows:

- Expenses directly identifiable to a particular fund are apportioned to that fund;
- All expenses which are staff related are allocated in proportion to the estimated time involved in each fund;
- Other expenses are allocated in proportion to appropriate cost drivers.

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

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

(q) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for the use by the entity.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement does not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- Payments of penalties for terminating the lease, if the lease term reflects the entity exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determinate the incremental borrowing rate, the entity:

- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the entity, if there is no recent third party financing; and
- Makes adjustments specific to the lease (such as term).

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

(r) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The entity designates derivatives as cash flow hedges to hedge inflation risk associated with the settlement cash flows of recognised indexed policy liabilities and highly probable forecast transactions.

At inception of the hedge relationship, the entity documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The entity documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 18. Movements in the hedging reserve in shareholders' equity are shown in the statement of changes in equity.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

When zero coupon inflation swaps (swaps) are used to hedge forecast transactions, the entity designates the full change in fair value of the swaps as the hedging instrument and recognises the gains or losses relating to the effective portion of the change in fair value of each swap in the cash flow hedge reserve within equity through Other Comprehensive Income (OCI).

The changes in the time value of the swaps that relate to the hedged item are recognised within OCI in the hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss in claims expense.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting or when the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity are immediately reclassified to profit or loss.

(s) New standards and amendments not yet adopted

Management has performed a review of the Australian Accounting Standards which were issued but were not mandatory for the entity until the effective dates however early adoption is permitted.

AA*SB* 9 *Financial Instruments*

In accordance with AASB 1038 *Insurance Contracts* (AASB 1038), the entity's investments back life insurance contract liabilities therefore are designated within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* as at fair value through profit or loss on initial recognition as well as subsequent re-measurement to fair value at each reporting date. The entity is deferring the adoption of AASB 9 *Financial Instruments* (AASB 9) to align with the implementation of AASB 17 *Insurance Contracts*, which is permissible under the standard.

Policy choice

As per the entity's initial assessment, the investments meet the solely payments of principal and interest (SPPI) test which requires that the contractual terms of the financial asset should give rise to cash flows that are solely payments of principal and interest on the principal amount on specified dates in accordance with AASB 9. The entity invests in investment grade financial instruments to earn interest and the investment portfolios are structured to match the duration of life insurance contract liabilities while maintaining liquidity for business cash flows. In accordance with AASB 9, this approach to managing investments will enable the entity to retrospectively classify investments at fair value through other comprehensive income (FVTOCI) upon adoption of the standard with no material impact to equity.

Expected credit losses model

AASB 9 sets out an expected loss model for recognising impairment losses unlike under the current AASB 139 *Financial Instruments: Recognition and Measurement* incurred loss model. Therefore, expected losses are anticipated before they arise and must be recognised as an expense in other comprehensive income and shall not reduce the carrying amount of the financial asset. Management assesses that the entity's investments, which are investment grade, and other financial assets do not impair subsequent to initial recognition in which case expected credit losses within 12 months from the reporting date are not expected to materially impact equity.

AASB 17 *Insurance Contracts*

AASB 17, a new accounting standard for insurance contracts is applicable from 1 January 2023. The entity will not early adopt the standard. For the transition balance sheet, insurance contracts will need to be restated at 1 January 2022 (being the date of initial application). The first full year financial statements presented under AASB 17 will be for the year ended 31 December 2023 with comparatives required for the year to 31 December 2022.

AASB 17 establishes globally consistent principles for the recognition, measurement, presentation and disclosure of life insurance contracts issued. AASB 17 introduces changes to the profit emergence profiles of life insurance contracts without affecting the underlying economics or cash flows of the contracts.

Level of aggregation

To recognise and measure insurance contracts, portfolios of insurance contracts are identified and divided into groups of insurance contracts, using accounting and actuarial systems, issued no more than one year apart. At a minimum, a portfolio is divided into:

a) a group of contracts that are onerous at initial recognition, if any;
b) a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
c) a group of remaining contracts in the portfolio, if any.

Measurement model

AASB 17 requires a current measurement model where estimates are re-measured each reporting period.

The liability for remaining coverage (which represents insurance coverage to be provided after the balance date) under the general model is measured as the sum of:

- the present value of expected future cash flows and an explicit risk adjustment for non-financial risk (collectively referred to as the 'fulfilment cash flows'); and
- a Contractual Service Margin ("CSM") representing the unearned profit of the contract which is recognised based on a pattern of coverage units as revenue in profit or loss over the coverage period.

The liability for incurred claims for insured events is measured on basis of fulfilment cash flows and an explicit risk adjustment for non-financial risk.

The entity expects to apply risk free interest rates adjusted to reflect the liquidity characteristics of the insurance contracts to determine discount rates.

Risk adjustment for non-financial risks is determined for uncertainty about amount and timing of cash flows in the measurement of insurance contract liabilities. The confidence level used to determine the risk adjustment will need to be disclosed.

Transition Approaches

Upon transition to AASB 17, the entity will apply the transition approaches to insurance contracts according to the availability of completeness of historical data; data granularity not just at a portfolio level (i.e. for policies facing similar risks that are managed together) but specifically for groups of contracts issued within the same years and in the same group of profitability; and availability of actuarial models and systems.

The entity expects to adopt the Modified Retrospective Approach or Fair Value as practical to the portfolios of life insurance contracts. The General Measurement Model is applicable to long duration contracts which will be applied by the entity requiring granular data capture and archival for enhanced modelling process.

Policy choice

The standard allows the option of recognising the effect of changes in discount rates on AASB 17 liabilities either in the statement of profit or loss or directly in other comprehensive income (OCI). The entity intends to adopt the OCI option to match changes in fair value of investments at FVOCI under AASB 9 to reduce volatility in reported profit or loss.

Presentation and disclosures

Management expects significant presentation and disclosure changes with the introduction of new insurance line items in the financial statements due to increased disclosure granularity and more analysis of movements. Amounts presented into the statement of comprehensive income are disaggregated into an insurance service result and insurance finance income or expenses.

Capital management

The impacts on capital requirements are not expected to be material, based on preliminary responses from the Australian Prudential Regulation Authority (APRA). The entity's response to APRA's Quantitative Impact Study (QIS) was submitted in April 2022, which incorporated APRA's proposed changes to the reporting and capital standards.

On 27 September 2022 APRA released finalised changes to the capital and reporting frameworks in response to the introduction of AASB 17 which will replace AASB 1038 with effect from 1 July 2023.

Tax

The impacts on income tax are currently unknown, pending responses from the Treasury and the Australian Taxation Office (ATO).

Implementation project

The Hannover Re Group of companies and a local project team is jointly conducting the implementation of transition methodologies using new financial reporting systems and data migration to new AASB 17 ledgers. The entity is actively engaged with its auditor about methodology and interpretations.

Financial impact

Given the broad scope of the standard and the complexity involved in valuation of the transition to AASB 17, the impact on the entity's equity cannot be reasonably estimated at the date of this report. The entity is in the process to produce the results and disclosures required under AASB 17 as well as working through remaining material judgements under consideration in order to finalise AASB 17 related accounting policies. The entity continues to analyse the impacts of the standard and monitor industry developments in order to assess the impact of evolving interpretations and other changes.

(t) Existing standards and interpretations not yet effective

Other amendments to existing standards or interpretations that are not yet effective are not expected to result in a material impact to the entity's financial statements.

2. Critical accounting judgments and estimates

The entity 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.

(a) Life insurance contract liabilities

Life insurance contract liabilities are computed using actuarial and mathematical methods, which are expected to give approximately the same results as if an individual liability was calculated for each contract. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business. Deferred policy acquisition costs are connected with the measurement basis of life insurance contract liabilities and are equally sensitive to the factors that are considered in the liability measurement.

The key factors that affect the estimation of these liabilities and related assets are:

(i) mortality and morbidity experience on life insurance products;

(ii) the cost of providing benefits and administering these insurance contracts; and

(iii) discontinuance experience, which affects the entity's ability to recover the cost of acquiring new business over the lives of the contracts.

In addition, factors such as regulation, competition, interest rates, taxes, securities market conditions and general economic conditions affect the level of these liabilities. In some contracts, the entity shares experience on mortality, morbidity and persistency with its customers and this can offset the impact of these factors on profitability from those products. Details of specific actuarial policies and methods are set out in Note 3. Details of gross life insurance contract liabilities are set out in Note 8.

During the current year, the COVID-19 impacts were assessed by the Actuaries and an appropriate adjustments to claims reserves were recorded in the life insurance contract liabilities.

(b) Reinsurers' share of life insurance contract liabilities

Reinsurers' share of life insurance contract liabilities is also computed using the methods in (a) above. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the entity may not receive amounts due to it and these amounts can be reliably measured. Details of the reinsurers' share of life insurance contract liabilities are set out in Note 8.

(c) Life insurance contract premium revenue

Life insurance contract premium revenue includes estimates for renewal premiums that are based on historical information such as the active status of the insurance contract, the sum assured and other relevant information. Estimates are required as the transfer of the information to the entity is subject to practical timelines and the amount of premium is dependent on the underlying insurance contracts. Subsequent premium receipts may be less than or greater than the estimates recorded at the year-end date. The estimation process is periodically reviewed using the latest information available to ensure that it provides a reasonable basis.

(d) Receivables and payables for life insurance contracts

The entity 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.

(e) Recoverability of deferred tax assets

The entity assesses the recoverability of deferred tax assets at each reporting date. In making this assessment, the entity 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.

(f) 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 2022. The actuarial report dated 3 March 2023 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 AASB 1038 "Life Insurance Contracts", APRA Prudential Standard LPS 340 "Valuation of Policy Liabilities", and the relevant actuarial standards and guidance.

The accounting standard requires that the life insurance contract liabilities equal the amount which together with future expected premium and investment earnings will:

(i) provide for the systematic release of planned margins as services are provided to policyholders and premium is received; and

(ii) meet the expected payment of future benefits and expenses.

The profit carrier used for the major product groups in order to achieve the systematic release of planned margins was as follows:

Major Product Groups	Profit Carrier
Individual and group death and disability insurance	Claims

The life insurance contract liabilities have been calculated using the methods set out below:

(i) Individual risk business

Where individual policy data was available, future premium liabilities were calculated by projecting cash flows on each policy. Otherwise, other liabilities were calculated using accumulation methods.

(ii) Claims in course of payment

Claims in course of payment were calculated by projecting cash flows for each individual claim.

(iii) Other business

Liabilities for all other business were determined using accumulation methods, including allowances for recoverable deferred acquisition expenses.

(a) Disclosure of assumptions

The assumptions used to value life insurance contract liabilities are best estimates of expected future experience determined in accordance with AASB 1038 and APRA Prudential Standard LPS 340. The key assumptions are as follows:

(i) Discount rates

The discount rates assumed 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:

Australian business	2022: 3.10% to 4.59% p.a.
	2021: 0.10% to 2.15% p.a.
Overseas business	2022: 4.25% to 5.49% p.a.
	2021: 0.75% to 2.73% p.a.

(ii) Inflation rates

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:

Australian business	2022: 3.00% p.a.
	2021: 2.50% p.a.
Overseas business	2022: 2.75% p.a.
	2021: 1.75% p.a.

(iii) *Future expenses*

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.

(iv) *Rates of taxation*

Policy liabilities have been determined on a gross of taxation basis. The rates of taxation that apply to the entity are shown in Note 16.

(v) *Mortality and morbidity*

Assumed claim rates were based on various published tables, primarily those most recently published by the Institute of Actuaries of Australia and the Australian Financial Services Council, adjusted in light of recent industry experience and the entity's own experience. For disability income claims, adjustments were made to the tabular claim termination assumptions based on the entity's own experience, as follows.

Claim termination rates as percentage of tabular termination assumptions:

Australian business	2022:	30% to 160% of ADI 2014-2018
	2021:	20% to 110% of ADI 2014-2018
Overseas business	2022:	55% to 120% of ADI 2014-2018
	2021:	100% to 180% of ADI 2014-2018

(vi) *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 2% - 50% p.a. (2021: 2% - 50% p.a.).

(vii) *Surrender values*

Surrender values are based on the surrender values included in the life insurance contract liabilities as advised by ceding companies. There has been no change in the basis as compared to previous years.

(b) Effects of changes in actuarial assumptions from 31 December 2021 to 31 December 2022

	Effect on net profit margins related to incurred claims reserves	Effect on net life insurance contract liabilities
	$'000 Increase/ (decrease)	$'000 Increase/ (decrease)
Assumption category		
Discount rates	(2,924)	(60,837)
Future inflation rates	146	4,048
Mortality and morbidity	(444)	18,798
Claim expense margins	-	16,338
Total	(3,222)	(21,653)

(c) Processes used to select assumptions

Discount rate
The gross discount rates are derived from gross yields on cash deposits, bank bill swaps and interest rate swaps.

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 entity 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 entity 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.

(d) Sensitivity analysis

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

Variable	Impact of movement in underlying variable
Expense Rates	An increase in the level of expenses over assumed levels will decrease profit and shareholder's equity.
Discount Rates	An increase in market interest rates will cause the value of the entity's financial assets and interest sensitive liabilities to fall. To the extent that the profiles of these assets and liabilities are not matched this will lead to a net profit or loss.
Mortality rates	An increase in mortality rates would lead to higher claims cost and therefore reduced profit and shareholder's equity.
Morbidity rates	The cost of health-related claims depends on both the incidence of policyholders becoming ill and the duration for which they remain ill.
Discontinuance	The impact of the discontinuance rate assumption depends on a range of factors including the surrender value basis (where applicable) and the duration of policies in force. For example, an increase in discontinuance rates at earlier durations usually has a negative effect on profit thereby reducing shareholder's equity.

The table below illustrates how changes in key assumptions would impact the reported profit after tax and equity of the entity.

	Change in Variable	Impact upon net profit after tax and equity	
		2022 $000	2021 $000
Worsening of mortality/morbidity claim incidence rates	10%	10,185	16,638
Worsening of income claim termination rates [1]	10%	12,487	22,443
Deterioration in unreported claims development [2]	10%	5,448	3,385
Increase in fixed interest bond yields	1%	1,563	(17,564)
Increase in inflation rates	1%	(2,446)	298

Note 1 - the above analysis is impacted by the interaction of the entity's various reinsurance arrangements and the basis of taxation for each class of business (see Note 16)
Note 2 - This relates to the cost of incurred but not reported claims

(e) Claims development

Reserves are established to provide for the ultimate payment of non-finalised claims, in some cases up to many years after occurrence of the event that gave rise to the claim. Settlement of these claims for either more or less than the amounts provided will lead to losses or profits, respectively. Experience in respect of long duration claims incurred prior to the reporting year is as follows:

	Loss on claims development before reinsurance	
	2022 $'000	2021 $'000
Long tailed lump sum benefit claims	(26,767)	(41,080)
Long tailed income benefit claims	(21,830)	(25,490)

4. Risk Management policies and procedures

The financial condition and operating results of the entity 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 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.

(a) Capital 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 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.

(b) Risks arising from financial instruments

Credit risk

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

(i) Trade and other receivables

The entity's exposures to credit risk is influenced by the market in which the entity operates. The larger clients of the entity, by premium revenue, are financial entities regulated by the Australian Prudential Regulation Authority. Given this client base, management does not expect a material client to default on trade receivables. The entity has not experienced credit losses on trade receivables.

The entity aims to limit its exposure to credit risk by only reinsuring with financial entities with strong credit ratings. All of the entity'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 SCOR (A+), whom the entity has immaterial exposure to. Given these high credit ratings, management does not expect a reinsurer to fail to meet its obligations.

(ii) Investments

The entity'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 entity'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 entity will not be able to meet its financial obligations as they fall due. The entity'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 entity's reputation.

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

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 entity'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.

(i) Interest risk

The entity 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 entity manages these interest rate risks by approximately matching the duration of the fixed interest portfolio and the insurance contract liability portfolio.

(ii) 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.

(iii) Currency risk

The entity has a New Zealand branch whose assets and liabilities are denominated in New Zealand dollars. On translation of the New Zealand branch into the reporting currency (Australian dollars) of the entity, exchange rate variations on Statement of Financial Position items are recognised in a foreign currency translation reserve within equity. The entity is exposed to currency risk on the translation of Statement of Comprehensive Income items and the settlement of monetary balances between the Australian and New Zealand businesses.

(iv) 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 entity holds inflation-linked bonds in its portfolio.

(c) 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 reinsurance 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

(i) Outwards reinsurance

The entity's outwards reinsurance 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 reinsurance treaties are analysed to assess the impact on the entity's exposure to risk.

(ii) Underwriting procedures

The entity has formal Underwriting Guidelines which document the entity's underwriting framework including the types of business that the entity may write, underwriting authorities and limits. The entity 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 entity's internal auditors to assess the adequacy and effectiveness of controls over the underwriting process. Where underwriting authority is delegated to a cedant, the entity has a program for auditing the cedant's underwriting processes.

(iii) 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 entity has in place a program to assist cedants manage their claim portfolios.

(iv) Pricing

The entity 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 entity.

(v) Experience analysis

Experience studies are performed at a client and product level to determine the adequacy of pricing assumptions. The results are used to determine prospective changes in pricing.

(vi) Management reporting

The entity reports quarterly financial and operational results including, mortality and morbidity claim experience, policy lapsations, and exposure for portfolios of contracts (gross and net of reinsurance). This information includes the entity's gross and net results which are compared against the entity's business plan.

(vii) Concentration of insurance risk

The demographics within the population of policyholders is spread with the expectation that the risk concentration is minimal.

(d) 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 are 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

(e) 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 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 entity's activities (both in Australia and 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 statutory funds can only be used within the restrictions imposed under the *Life Insurance Act 1995*. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund or as distributions when Prudential Capital Requirements are met. Shareholders can only receive a distribution when the Prudential Capital Requirements are met.

6. Capital requirements

The capital adequacy 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 at 31 December 2022 for each fund have been determined in accordance with LPS 110 as follows:

	Australian Reinsurance Statutory Fund 2022 $'000	Australian Statutory Fund 2022 $'000	Overseas Statutory Fund 2022 $'000	Shareholder Fund 2022 $'000	Total 2022 $'000
Capital Base					
Net assets [(1)]	250,926	169,036	30,050	25,936	475,948
Regulatory adjustments to net assets	(68,365)	(63,846)	(30)	(1,675)	(133,916)
Tier 2 capital	22,000	25,000	-	-	47,000
Intangible Assets	-	(206)	-	(3,847)	(4,053)
Total Capital Base	**204,561**	**129,984**	**30,020**	**20,414**	**384,979**
Prescribed Capital Amount (PCA)					
Insurance risk charge	65,594	12,730	4,616	-	82,939
Asset risk charge	22,636	37,508	2,290	40	62,474
Asset concentration risk charge	-	-	-	-	-
Operational risk charge	52,604	14,786	2,759	-	, 9
Less aggregation benefit	(14,685)	(8,287)	(1,358)	-	(,3)
Combined stress scenario adjustment	31,519	17,979	2,158		5 ,
Total PCA	**157,668**	**74,716**	**10,465**	**57**	**242,906**
Capital adequacy multiple (Capital Base/PCA)	1.30	1.74	2.87	358.14	1.58

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

The Capital Base of the Shareholder Fund was reduced by the declaration of a dividend of $5m on 3 March 2022.

The Capital Base and Prescribed Capital Amount at 31 December 2021 for each fund have been determined in accordance with LPS 110 as follows:

	Australian Reinsurance Statutory Fund 2021 $'000	Australian Statutory Fund 2021 $'000	Overseas Statutory Fund 2021 $'000	Shareholder Fund 2021 $'000	Total 2021 $'000
Capital Base					
Net assets [1]	275,797	197,814	23,830	50,965	548,406
Regulatory adjustments to net assets	(79,341)	(51,399)	4,833	(1,663)	(127,570)
Tier 2 capital	22,000	25,000	-	-	47,000
Intangible Assets	-	(206)	-	(5,991)	(6,197)
Total Capital Base	**218,456**	**171,209**	**28,663**	**43,311**	**461,639**
Prescribed Capital Amount (PCA)					
Insurance risk charge	56,862	25,794	3,934	-	86,590
Asset risk charge	22,770	39,888	867	206	63,731
Asset concentration risk charge	-	-	-	-	-
Operational risk charge	51,260	17,378	2,494	-	71,132
Less aggregation benefit	(14,289)	(14,030)	(607)	-	(28,926)
Combined stress scenario adjustment	28,004	22,137	1,631	88	51,860
Total PCA	**144,607**	**91,167**	**8,319**	**294**	**244,387**
Capital adequacy multiple (Capital Base/PCA)	1.51	1.88	3.45	147.32	1.89

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

Notes to the Financial Statements
For the year ended 31 December 2022

7. Profit or loss information

	2022 $'000	2021 $'000
(a) Other income		
Services to related parties	3,182	2,117
Claims handling fee for service	383	250
Exchange losses	(39)	(34)
Net other income	45	64
	3,571	2,397
(b) Other expenses		
Policy acquisition costs – life insurance contracts		
- Net commission	7,634	6,586
- Other acquisition costs	2,840	7,918
Total policy acquisition costs	10,474	14,504
Policy maintenance costs – life insurance contracts		
- Net commission	304,281	299,360
- Other expenses	61,418	48,602
Total policy maintenance costs	365,699	347,962
Investment management expenses	3,645	3,691
	379,818	366,157
(c) Components of (loss)/profit		
Planned margin of revenues over expenses released	8,920	7,495
Difference between actual and assumed experience	(125,629)	(27,919)
Change in valuation methods and assumptions	34,839	14,973
Investment earnings on assets in excess of life insurance liabilities	10,786	11,355
(Loss)/profit for the year	(71,084)	5,904

All of the (loss)/profit is attributable to shareholder interests as the entity only writes business that is non-participating.

(d) Defined contribution plans

The entity contributes as a participating employer on a defined contribution basis to the Mercer Superannuation Trust (the default fund) and, where applicable, funds chosen by individual employees. In addition, the entity contributes the minimum pursuant to the Superannuation Guarantee Charge on behalf of Non-Executive Directors. The amount recognised as expense for all defined contribution plans was $2,621,119 for the year ended 31 December 2022 (2021: $2,495,482).

8. Life insurance contract liabilities

(a) Reconciliation of movement in life insurance contract liabilities

	2022 $'000	2021 $'000
Life insurance contract liabilities		
Gross life insurance contract liabilities at 1 January	2,236,793	2,002,620
Exchange rate adjustment on translation of New Zealand branch	(1,659)	127
Change in life insurance contract liabilities reflected in profit or loss	114,259	234,046
Gross life insurance contract liabilities at 31 December	2,349,393	2,236,793
Reinsurers' share of life insurance contract liabilities		
Retroceded life insurance contract liabilities at 1 January	(842,469)	(1,006,478)
Exchange rate adjustment on translation of New Zealand Branch	(612)	(54)
Change in reinsurers' share of life insurance contract liabilities reflected in profit or loss	161,499	164,063
Reinsurers' share of life insurance contract liabilities at 31 December	(681,582)	(842,469)
Net life insurance contract liabilities at 31 December	3,030,975	3,079,262
Expected to be settled within 12 months	1,337,678	1,306,748
Expected to be settled in more than 12 months	1,693,297	1,772,514
	3,030,975	3,079,262

(b) Components of net life insurance contract liabilities

	2022 $'000	2021 $'000
Best estimate liability		
- Value of future policy benefits	2,955,689	3,022,463
- Value of future expenses	77,124	68,449
- Value of un-recouped acquisition expense	(92,762)	(114,261)
Total best estimate liability for life insurance contracts	2,940,051	2,976,651
Value of future shareholder profit margins	90,924	102,611
	3,030,975	3,079,262

9. Trade and other receivables

	2022 $'000	2021 $'000
Outstanding premium	137,271	114,056
Investment income accrued and receivable	20,123	18,440
Other receivables	831	1,242
	158,225	133,738

All trade and other receivables are current assets. The entity does not have any concerns regarding the collectability of the outstanding premium.

The entity's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 19.

10. Property, plant and equipment

	2022	2021
Fixtures, Fittings & Equipment	$'000	$'000
Cost		
Balance at 1 January	7,092	6,986
Acquisitions	270	233
Disposals	(742)	(127)
Balance at 31 December	6,620	7,092
Accumulated Depreciation		
Balance at 1 January	2,839	2,387
Depreciation charge for the year	672	579
Disposals	(742)	(127)
Balance at 31 December	2,769	2,839
Carrying Amounts		
At 1 January	4,253	4,599
At 31 December	3,851	4,253
Straight line depreciation rate	1-40%	1-40%

The property, plant and equipment comprise of non-current fixed assets at reporting date.

11. Trade and other payables

	2022	2021
	$'000	$'000
Payables under life insurance contracts	31,620	13,613
Amounts due to related parties	89,974	55,706
Margin call on inflation swaps	1,190	-
Unsettled investment transaction	11,846	-
Other payables	9,784	7,015
	144,414	76,334

All trade and other payables are current liabilities.

The entity's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 19.

12. Intangible assets

System Development Costs	2022 $'000	2021 $'000
Cost		
Balance at 1 January	13,241	14,881
Acquisitions	128	2,085
Written off as fully amortised	(2,678)	(3,725)
Balance at 31 December	10,691	13,241
Accumulated amortisation		
Balance at 1 January	7,044	6,172
Amortisation	2,272	2,872
Written off as fully amortised	(2,678)	(2,000)
Balance at 31 December	6,638	7,044
Carrying Amounts		
At 1 January	6,197	8,709
At 31 December	4,053	6,197

The intangible assets are all non-current assets at reporting date.

13. Employee Benefits

	2022 $'000	2021 $'000
Current liability		
Annual leave liability	2,420	2,478
Non-Current liability		
Long service leave liability	2,690	2,374
Other long term employee benefit liabilities	1,084	1,334
	6,194	6,186

14. Capital and reserves

(a) Contributed equity

	Ordinary Shares 2022 $'000	Ordinary Shares 2021 $'000
On issue at 31 December	150,000	150,000
Number of ordinary shares issued and fully paid	148,200,002	148,200,002

The ordinary shares of the entity were issued to the Parent Entity and have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the entity. All shares rank equally with regard to the entity's residual assets.

(b) Reserves

The movement below in reserves represents changes to the translation reserve, defined benefit reserve and other reserve.

	2022 $'000	2021 $'000
Balance as at 1 January	57,895	56,937
Foreign currency translation	78	35
Cash flow hedge reserve	2,350	-
Net defined benefit liability	1,198	923
Balance as at 31 December	61,521	57,895

(i) *Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the New Zealand branch to the presentation currency of the entity i.e. Australian dollars.

(ii) *Defined benefit plan reserve*

The reserve relates to the portion of the net defined benefit plan asset/liability that does not flow through profit and loss in accordance with Australian Accounting Standards.

(iii) *Other reserve*

This reserve relates to capital that in addition to contributed equity is not available to be distributed to the shareholder as retained profits.

(iv) *Hedging reserve*

The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in Note 1(r). Amounts are subsequently either transferred to the cost of claims or reclassified to profit or loss as appropriate.

15. Disaggregated information of life insurance business by fund

2022					
	Australian Statutory Fund	Australian Reinsurance Statutory Fund	Overseas Statutory Fund	Shareholders' Fund	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets at fair value through profit and loss	484,234	2,722,431	108,487	13,046	3,328,198
Other assets	150,145	221,304	22,619	12,890	406,958
Reinsurers' share of life insurance contract liabilities	27,480	(679,172)	(29,890)	-	(681,582)
Life insurance contract liabilities assumed	375,077	1,912,199	62,117	-	2,349,393
Other liabilities	117,746	101,439	9,048	-	228,233
Retained profits	72,080	186,579	25,410	(19,642)	264,427
Premium revenue	492,875	1,307,663	66,283	-	1,866,821
Investment revenue	(124,129)	(251,491)	(3,246)	78	(378,788)
Claims expense	(258,994)	(700,956)	(38,026)	-	(997,976)
Other operating expenses	(254,501)	(118,697)	(9,346)	(119)	(382,663)
Operating profit/(loss) before tax	(31,494)	(55,532)	1,662	(41)	(85,405)
Operating profit/(loss) after tax	(9,978)	(62,221)	1,143	(28)	(71,084)

2021					
	Australian Statutory Fund	Australian Reinsurance Statutory Fund	Overseas Statutory Fund	Shareholders' Fund	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets at fair value through profit and loss	634,309	2,628,995	99,091	31,169	3,393,564
Other assets	129,196	237,717	10,631	19,744	397,288
Reinsurers' share of life insurance contract liabilities	(5,211)	(821,898)	(15,360)	-	(842,469)
Life insurance contract liabilities assumed	462,972	1,698,996	74,825	-	2,236,793
Other liabilities	97,507	70,023	(4,294)	(52)	163,184
Retained profits	102,058	213,800	19,267	5,386	340,511
Premium revenue	579,258	1,159,129	49,847	-	1,788,234
Investment revenue	(24,851)	(39,540)	(2,613)	(13)	(67,017)
Claims expense	(286,413)	(666,208)	(27,619)	-	(980,240)
Other operating expenses	(262,102)	(101,269)	(2,764)	(14)	(366,149)
Operating profit/(loss) before tax	9,948	478	2,228	(27)	12,627
Operating profit/(loss) after tax	9,566	(5,246)	1,603	(19)	5,904

16. Income tax

(a) Income tax (benefit)/expense

	2022 $'000	2021 $'000
Current tax expense		
Current year	1,525	1,564
Prior year	1	-
Deferred tax (benefit)/expense		
Origination and reversal of temporary differences		
- Current year	(15,416)	5,344
- Prior year	(431)	(185)
Total income tax (benefit)/expense disclosed in Statement of Comprehensive Income	(14,321)	6,723

Reconciliation between tax (benefit)/expense and pre-tax net (loss)/profit

	2022 $'000	2021 $'000
Net (loss)/profit before tax	(85,405)	12,627
Prima facie income tax (benefit)/expense calculated at 30% (2021: 30%) on the (loss)/profit from ordinary activities for the year ended 31 December:	(25,622)	3,788
Increase in income tax expense due to:		
- Non-deductible retrocession	11,705	2,760
- Other	63	405
(Decrease) in income tax expense due to:		
- Over provision from prior year	(430)	(185)
- Difference in New Zealand tax rate	(37)	(45)
Income tax (benefit)/expense on pre-tax profit	(14,321)	6,723

During 2022 the entity had not made an election under Section 148 of the *Income Tax Assessment Act 1936* (ITAA) and accordingly was taxed on the basis of revenues gross of overseas reinsurance on Accident and Disability business. In New Zealand, business is subject to tax in accordance with the Income Tax Act 2007 at a rate of 28% (2021: 28%).

	2022 $'000	2021 $'000
Deferred tax expense recognised directly in equity through OCI		
Related to movement in defined benefit provision	514	395
Related to movement in hedging reserve	1,007	-

16. Income tax (continued)

(b) Recognised deferred tax (assets) and liabilities

	Assets		Liabilities		Net Tax Asset	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Employee benefits	(1,543)	(1,660)	-	-	(1,543)	(1,660)
Life insurance contract liabilities	(26,834)	(32,188)	-	-	(26,834)	(32,188)
Other items	(4,366)	(2,839)	-	-	(4,366)	(2,839)
Tax value of loss carry-forward recognised	(36,695)	(18,449)	-	-	(36,695)	(18,449)
Net deferred tax (assets)	(69,438)	(55,136)	-	-	(69,438)	(55,136)

(c) Movements in temporary differences during the year

	Balance 1 Jan 2022 $'000	Exchange Movement in Equity $'000	Recognised in Income $'000	Recognised in Equity $'000	Balance 31 Dec 2022 $'000
Employee benefits	(1,660)	-	(397)	514	(1,543)
Life insurance contract liabilities	(32,188)	24	5,330	-	(26,834)
Other items	(2,839)	-	(2,534)	1,007	(4,366)
Tax value of loss carry-forward recognised	(18,449)	-	(18,246)	-	(36,695)
	(55,136)	24	(15,847)	1,521	(69,438)

	Balance 1 Jan 2021 $'000	Exchange Movement in Equity $'000	Recognised in Income $'000	Recognised in Equity $'000	Balance 31 Dec 2021 $'000
Employee benefits	(2,391)	-	336	395	(1,660)
Life insurance contract liabilities	(28,659)	(18)	(3,511)	-	(32,188)
Other items	(2,021)	-	(818)	-	(2,839)
Tax value of loss carry-forward recognised	(27,601)	-	9,152	-	(18,449)
	(60,672)	(18)	5,159	395	(55,136)

17. Reconciliation of profit or loss after income tax to net cash inflow from operating activities

	2022 $'000	2021 $'000
(Loss)/profit from ordinary activities after income tax	(71,084)	5,904
Add/(less) adjusting items:		
Net fair value losses/(gains) on financial assets/liabilities	468,717	150,599
Add non-cash movements:		
Depreciation, amortisation and write-offs	6,061	8,292
Finance costs	2,846	2,297
Net unrealised foreign exchange (gain)	(505)	(375)
Net cash outflows from operating activities before change in assets & liabilities	406,035	166,717
Change in assets and liabilities:		
(Increase) in receivables	(24,487)	(5,345)
(Increase)/decrease in tax assets	(14,237)	6,440
(Increase) in defined benefit pension asset	(1,713)	-
Increase/(decrease) in trade and other payables	56,242	(1,305)
Increase in life insurance contract liabilities	112,600	234,173
(Decrease) in reinsurers' share of life insurance contract liabilities	(160,887)	(164,007)
Increase in current tax liabilities	541	-
Net cash inflows from operating activities	374,094	236,673

Reconciliation of 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:

	2022 $'000	2021 $'000
Cash and cash equivalents		
Cash	144,924	172,707
Cash and cash equivalents in the cash flow statement	144,924	172,707

The entity's exposures to credit risk is disclosed in Note 19.

18. Fair 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.

	2022			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Investments	-	3,328,198	-	3,328,198
Financial liabilities				
Subordinated loans*	-	29,300	-	29,300
Derivatives**	-	3,343	-	3,343

	2021			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Investments	-	3,393,564	-	3,393,564
Financial liabilities				
Subordinated loans	-	43,300	-	43,300
Derivative	-	14	-	14

*The subordinated loans are priced based on similar instruments ranging A to A- by S&P ratings in the bonds market using market quoted prices.

**This represents over the counter zero coupon inflation swaps with a total notional value of $420m carried at fair value through OCI (2021: $1m carried at fair value through profit or loss).

19. Financial instrument risks

The entity 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 Processes 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.

19. Financial instrument risks (continued)

(a) Credit risk exposure

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

	2022 $'000	2021 $'000
Cash	144,924	172,707
Investment assets – debt securities	3,328,198	3,393,564
Trade and other receivables	158,225	133,738
	3,631,347	3,700,009

The maximum exposure to credit risk for financial assets at fair value through profit and loss (investment assets - debt securities) at the balance date was by sector:

	2022 $'000	2021 $'000
Issuing Sector		
Government	984,881	1,176,377
Semi-Government – Government Guaranteed	56,037	-
Semi-Government	219,124	261,406
Government Agency	209,208	225,031
Government Agency – Government Guaranteed	383,912	134,121
Sovereign supranational	419,379	356,564
Sovereign supranational – Foreign Government Guaranteed	138,291	162,462
Corporate	912,366	1,077,603
Other	5,000	-
	3,328,198	3,393,564

Expected to be realised within 12 months	291,556	175,756
Expected to be realised in more than 12 months	3,036,642	3,217,808
	3,328,198	3,393,564

19. Financial instrument risks (continued)

The maximum exposure to credit risk for financial assets at fair value through profit and loss (investment assets - debt securities) at the balance date was by rating:

Rating of Issuer		
AAA	2,384,739	2,327,303
AA	536,476	557,067
A	292,158	381,350
BBB	114,825	127,844
	3,328,198	3,393,564

Cash & cash equivalents are held with financial institutions with a credit rating of A and above during the current and prior year. Outstanding Premium disclosed within Trade and Other Receivables are due from parties regulated by APRA or Reserve Bank of New Zealand.

(b) Market risk sensitivity

The entity has sensitivity to the following market risks:

	2022 $'000	**2021** $'000
(i) Interest rate risk		
At balance date the entity held the following interest sensitive financial instruments:		
Investment assets – debt securities	3,328,198	3,393,564
A change of 100 basis points in interest rates at balance date would have increased/(decreased) equity and profit/(loss) by the amounts shown below.		
- plus 100 basis points - (decrease) profit and equity by	(179,723)	(203,614)
- minus 100 basis points - increase profit and equity by	203,020	230,762

(ii) Currency risk

The entity has a New Zealand branch whose financial assets and liabilities are denominated in New Zealand dollars (NZD). On translation of the financial assets and liabilities into the reporting currency of the entity (Australian dollars), exchange rate variations are recognised in a foreign currency translation reserve within equity.

	$'000 NZD	$'000 NZD
At the balance date the entity's exposure to foreign currency risk was as follows based on notional amounts:		
Total assets denominated in New Zealand dollars	140,334	121,309
Total liabilities denominated in New Zealand dollars	108,110	95,990

19. Financial instrument risks (continued)

(b) Market risk sensitivity (continued)

A 10% strengthening in the value of the Australian dollar at the balance date would (decrease) equity and (decrease) profit by the amounts shown below.

	2022 $'000 AUD	2021 $'000 AUD
- Strengthening of the Australian dollar against the NZD will (decrease) equity by	(2,957)	(2,360)
- Strengthening of the Australian dollar against the NZD will increase/(decrease) profits by	18	(153)

A 10% weakening of the Australian dollar against the New Zealand dollar would have had the equal but opposite effect to the amounts shown above.

The Statement of Comprehensive Income is translated into the currency of the entity at a monthly exchange rate. The Statement of Financial Position is translated at the exchange rate at balance date (2022: NZD $1 = AUD $0.934, 2021: NZD $1 = AUD $0.942).

(c) Liquidity risk

The following are the contractual maturities of financial instruments at the reporting date.

	Effective Interest rate	Total $'000	0-12 months $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	More than 5 years $'000
				2022				
Derivative financial asset	-	3,343	636	625	308	225	671	878
Trade and other payables	-	(144,414)	(144,414)	-	-	-	-	-
Lease liability	4.00%	(34,820)	(4,393)	(4,569)	(4,752)	(4,942)	(5,140)	(11,024)
Subordinated loans	3.36%	(63,582)	(1,579)	(1,579)	(1,579)	(1,579)	(1,579)	(55,687)
				2021				
Derivative financial asset	-	-	-	-	-	-	-	-
Trade and other payables	-	(76,334)	(76,320)	-	-	(14)	-	-
Lease liability	4.00%	(39,002)	(4,183)	(4,350)	(4,524)	(4,705)	(4,893)	(16,347)
Subordinated loans	3.36%	(65,098)	(1,579)	(1,579)	(1,579)	(1,579)	(1,579)	(57,203)

20. Leases

AASB 16 lease recognition

This note provides information for leases where the entity is a lessee. In October 2017, the entity entered into a 7 years non-cancellable lease for office space in Tower 1, Level 33, 100 Barangaroo Avenue, Sydney with commencement date of 1 February 2018 and expiry date of 31 January 2025 and an option to extend for further 5 years subject to a market review process using comparable rents. The lease liability includes the option period.

The costs of the lease arrangement are shared via a cost sharing arrangement with related Australian entities.

(i) Amounts recognised in the Statement of Financial Position

The statement of financial position shows the following amounts relating to lease:

	2022	2021
	$'000	$'000
Right of use assets		
Office space	22,075	25,192
Lease liability		
Current	3,205	2,916
Non-current	26,879	30,084
	30,084	33,000

(ii) Amounts recognised in the Statement of Comprehensive Income

The statement of profit or loss shows the following amounts relating to lease:

	2022	2021
	$'000	$'000
Depreciation charge of right of use assets	3,116	3,287
Interest expenses (included in finance costs)	1,267	1,376

21. Defined Benefit Plan

(a) Plan characteristics

The entity makes contributions to a defined benefit plan (the Plan) that provides retirement, death and invalidity benefits to members based on the member's salary and years of service. The Plan provides an indexed pension benefit on retirement. Part or all the pension benefit may be converted to an account based pension or with the approval of the Plan trustees, the pension benefit may be commuted to a lump sum.

The Plan is a sub account of the Mercer Superannuation Trust (MST). The entity is the Principal Employer of the Plan.

(b) Defined benefit plan obligations and assets

The cost of the defined benefit obligation is recognised in the profit or loss and other comprehensive income (OCI). Member service costs and interest on the net defined benefit plan obligation are recognised in profit or loss. Remeasurements, being actuarial gains and losses, and differences between expected net interest income and the actual return are recognised in OCI.

The defined benefit obligation of the Plan as at 31 December 2022 was $6,257,000 (2021: $8,182,000). The assets of the Plan are invested in unit linked products within MST. The assets of the Plan as at 31 December 2022 were $7,306,000 (2021: $7,518,000). The net defined benefit asset at this date was $1,049,000 (2021: net defined liability $664,000).

22. Subordinated loans

On 15 June 2021, Hannover Rück SE issued $47m of subordinated loans with a 12 years' maturity to the entity. Interest is payable quarterly in arrears at a fixed rate of 3.36% per annum.

The loans are redeemable at the option of the entity, subject to written approval of APRA, from 15 June 2026 or at any time in the event of certain tax and regulatory events.

The loans must be written off or converted into Common Equity Tier 1 Capital if APRA determines the entity to be non-viable.

23. Derivative financial instruments

The entity has the following derivative financial instruments used for cash flow hedging:

	2022 $'000	**2021** $'000
Current assets		
Inflation swaps – cash flow hedges	636	-
Non-current assets		
Inflation swaps – cash flow hedges	2,707	-
	3,343	-

Derivatives are only used for hedging purposes and not as speculative investments. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The entity's accounting policy for its cash flow hedges is set out in Note 1(r).

Inflation swaps

The entity's inflation risk arises from long tailed CPI-indexed Disability Income Insurance (DII or hedge item) benefit payments to policyholders. The entity manages this exposure by entering into zero coupon inflation swaps which transact to pay fixed and swaps to receive floating Australian CPI with settlement upon maturity.

If the cumulative change in the swaps (hedging instrument):

- exceeds the change in the hedged item (sometimes referred to as an 'over-hedge'), ineffectiveness is recognised in the profit or loss; or
- is less than the change in the hedged item (or 'under-hedge'), no ineffectiveness will be recognised in the profit or loss.

24. Auditor's remuneration

	2022 $	2021 $
Audit Services:		
Auditors of the entity – PricewaterhouseCoopers		
Audit and review of the financial reports	675,044	323,932
Other regulatory audit services	62,865	57,150
Other Assurance Services	266,191	-
	1,004,100	381,082

25. 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 included in Other Expense (see Note 7) are as follows:

	2022 $	2021 $
Short term employee benefits	3,853,370	3,813,725
Post employment benefits	202,670	182,367
Other long term benefits	289,349	621,488
	4,345,389	4,617,580

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

26. Non Director related parties

Related party transactions

The following related party transactions occurred during the financial year.

(i) *Reinsurance arrangements with related parties*

The entity has reinsurance arrangements through related parties of the Hannover Re Group of Companies. During the reporting period the entity restructured these retrocession arrangements to simplify administration and accommodate Group systems.

(ii) *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 entity.

(iii) *Other services rendered by/to related parties*

Payments are made to Hannover Rück SE for the entity's share of various project and line costs incurred by the Hannover Re Group. Further, income is received by entity for various secondment services provided to Hannover Rück SE and the recovery of shared expenses from Australian branches of Hannover Rück SE and HDI Global Specialty.

(iv) *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:

	2022 $	2021 $
Transactions during the year		
Outwards reinsurance expenses	(1,289,680,333)	(1,204,654,915)
Reinsurance recoveries	1,226,778,883	1,088,526,457
Payments for services	(5,553,187)	(4,086,220)
Income from services	3,181,730	2,117,435
Investment management fees	(3,645,199)	(3,691,281)
Interest paid on subordinated loans	(1,421,280)	(473,760)
Creditors – Current		
Amounts due to related party	89,974,304	55,706,499
Interest payable on subordinated loans	355,320	355,320
Subordinated loans – Non Current		
Amounts due to related party	47,000,000	47,000,000

All transactions with related parties were conducted at arm's length. All outstanding balances are due and payable on normal 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.

27. Reconciliation of reported results with Life Act results

In respect of the entity's life insurance contracts business, there are no differences between the valuation requirements adopted as per relevant accounting standards in these financial statements and those of the *Life Insurance Act 1995*. Consequently, the entity's loss/profit and retained profits reported in these financial statements are the same under the *Life Insurance Act 1995*.

28. Contingencies and commitments

The entity has responded to a notice to produce information to ASIC in respect of policies issued since 1 July 2019. As at the date of this Annual Report, the information request and response process is ongoing.

As the ASIC investigation is still in the early stages, it is not probable that the investigation will lead to an adverse outcome. In the event of an adverse outcome, it is not currently expected that the impact would be material to the entity.

Contingent liabilities may also exist in relation to customer complaints brought before the Australian Financial Complaints Authority (AFCA). AFCA has the power to make determinations about complaints and can award compensation up to certain thresholds. AFCA has broader jurisdiction than previous dispute resolution bodies which it has replaced.

Apart from the above, there were no other contingencies or commitments from the current or prior periods that require disclosure.

29. 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 Report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

Directors' Declaration

For the Year Ended 31 December 2022

In the opinion of the directors of Hannover Life Re of Australasia Ltd (the Company):

(a) the financial statements and notes, set out on pages 13 to 56 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors draw attention to Note 1a to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Peter Gaydon
Chairman

Sydney
29 March 2023

Independent auditor's report

To the members of Hannover Life Re of Australasia Ltd

Our opinion

In our opinion:

The accompanying financial report of Hannover Life Re of Australasia Ltd (the Company) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 31 December 2022
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

This description forms part of our auditor's report.

PricewaterhouseCoopers

R Balding
Partner

Sydney
29 March 2023

Appointed Actuary’s Section 78 Report

To the Directors of Hannover Life Re of Australasia Ltd

In respect of the Financial Statements

31 December 2022

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 Hannover Life Re of Australasia Ltd (the Company) for the 12 month period ending on 31 December 2022.

(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 Company as required by Section 77 of the Act. My review has been carried out in accordance with the Solvency Standard for Life Insurance Business 2014 (as modified by the licence conditions of the Company) (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 Company’s calculations of premiums, claims, reserves, dividends, insurance and annuity rates, and technical provisions; and
- (ii) information relating to assessments of the probability of uncertain future events occurring and the financial implications for the Company if those events do occur; and
- (iii) information specified in the Life Solvency Standard as actuarial information for the purposes of this review.

There were no restrictions or limitations placed on my work.

(d) Other than my relationship with the Company 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 Company.

(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 Company was appropriately included in those financial statements, and
- (ii) the actuarial information used in the preparation of the financial statements of the Company was used appropriately.

(g) As at 31 December 2022, 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 2022.

Jun Song
Appointed Actuary
3 March 2023