Hannover Life Re of Australasia Ltd

ABN 37 062 395 484

Annual Report

Year Ended 31 December 2023

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Annual Report 2023

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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
P. Berry, BEc, FIAA, General Manager, Retail Business
S. Carmichael, BA, Chief Risk & Compliance Officer
J. Song, BCom, FIAA, FNZSA - Appointed Actuary
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 2023

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 2023 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 73

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 Wood Insurance Holdings Pty Ltd and 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 56

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 64

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 35 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.

Mr Jean Jacques Henchoz, BA PolSc, MBA
Non-Executive Director
Age 59

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.

Directors' Report
For the year ended 31 December 2023

Mr Gerd Obertopp, Actuary (DAV)
Managing Director
Age 63

Mr Obertopp has been in the Reinsurance industry for over 35 years and has previously been Managing Director of entities in the Hannover Re Group in South Africa and Hong Kong. Mr Obertopp was a member of the FSC Life Board Committee until 30 June 2023.
Managing Director since 2015.

Mr Robert John Wylie, BA
Independent Non-Executive Director
Age 74

Mr Wylie has previously held a number of senior positions within the insurance industry and has had over 42 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.

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	3	3	2	2	4	4	2	2
# Mr C Chèvre	3	3	-	-	-	-	2	2
*# Ms S Everingham	3	3	2	2	4	4	2	2
Mr JJ Henchoz	3	3	-	-	-	-	-	-
* Mr R Wylie	2	3	2	2	4	4	-	-
Mr G Obertopp	3	3	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.

Directors' Report
For the year ended 31 December 2023

Review and results of operations

The entity recorded net income before tax for the 2023 financial year of $19.2m (2022: loss of $129.7m). The 2022 comparatives, including the 2022 net income before tax, have been restated with the adoption in these financial statements of AASB 17.

The 2023 net income before tax is largely the result of an increase in the market value of the entity's fixed interest portfolio arising from the substantial decrease in Australian and New Zealand market bond yields during the year. The increase in market value is reflected in the Fair Value gains on Financial Assets of $125.2m. These gains were partly offset by a change in interest rate sensitive policy liabilities.

In addition to the Fair Value Gains on the investment portfolio, the result for the year was impacted by some unfavourable claims experience.

The 2023 net income is after recognition of an income tax expense that is substantially higher than the nominal tax rate of 30%. This higher tax charge is due to the entity being taxed gross of retrocession on profits from its Australian morbidity business.

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 did not declare a dividend for 2023. (2022: $5m).

Events subsequent to reporting date

The Board of Directors resolved on 16 February 2024 to transfer retained profits of AUD 65m from Australian Statutory Fund to the Australian Reinsurance Statutory Fund with an effective date of 31 December 2023.

Retained profits of AUD 1.4m were also transferred from the Shareholder Fund to Australian Reinsurance Statutory Fund on 20 March 2024 with effect from 31 December 2023.

At a meeting of the Board of Directors on 20 March 2024, the Board approved the transfer of AUD 29.77m of tax losses from the Australian Statutory Fund to the Australian Reinsurance Statutory Fund at a fair value of AUD 28.54m, with an effective date of 31 December 2023.

Except for the events listed above, 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.

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
20 March 2024

Corporate Governance Statement
For the year ended 31 December 2023

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.

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.

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 7 *Insurance Contracts*, the *Financial Sector (Collection of Data) Act 2001* and the *Corporations Act 2001*;
- the entity's Appointed Actuary is responsible for investigating the financial condition of the entity including the valuation of policy liabilities, solvency and capital adequacy requirements in accordance with the standards applied by the Australian Prudential Regulation Authority (APRA) and for providing advice to Executive Management and the Board as required under Prudential Standards and the Life Acts;
- Investment Guidelines are approved by the Board. Investment management decisions in accordance with the requirements of the Guidelines are delegated to an external investment manager in accordance with an Investment Management Agreement; and
- adoption of various policies such as the Risk Appetite Statement, Risk and Capital Management Guideline, Target Capital, ICAAP Summary Statement, Recovery Plan, Remuneration Policy, Tax Risk Management Policy, Information Security Management System and Fit & Proper Policy.

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.

Auditor's Independence Declaration

As lead auditor for the audit of Hannover Life Re of Australasia Ltd for the year ended 31 December 2023, 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
20 March 2024

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Statement of Comprehensive Income
as at 31 December 2023

In AUD'000	Notes	2023	2022
Insurance revenue (gross)	7	1,131,311	1,012,681
Insurance service expenses (gross)	7	(1,039,736)	(947,397)
Insurance result (gross)		**91,575**	**65,284**
Reinsurance revenue (retroceded)	7	889,231	917,230
Reinsurance expenses (retroceded)	7	(1,026,481)	(893,975)
Results from reinsurance contracts (retroceded)		**(137,250)**	**23,255**
Insurance service result		**(45,675)**	**88,539**
Finance income or (expenses) from insurance contracts issued (gross)	11	(18,707)	381,710
Finance (expenses) from reinsurance contracts (retroceded)	12	(123,309)	(184,766)
Insurance finance result (net)		**(142,016)**	**196,944**
Ordinary investment income		123,953	102,222
Change in fair value of financial instruments	10	125,245	(472,495)
Net realised loss on financial instruments		(7,499)	(9,169)
Gain from change in fair value of inflation swaps		3,577	3,357
Other investment expenses		(4,319)	(3,827)
Net income from financial instruments		**240,957**	**(379,912)**
Other income	8	6,116	4,217
Other expenses	8	(37,435)	(36,652)
Net other expenses		**(31,319)**	**(32,435)**
Operating profit / (loss) (EBIT)		**21,947**	**(126,864)**
Financing costs	16 & 20	(2,724)	(2,846)
Net income / (loss) before taxes		**19,223**	**(129,710)**
Income tax (expense) / benefit	18	(35,289)	23,953
Net (loss)		**(16,066)**	**(105,757)**
Not reclassifiable to the statement of income			
Defined benefit plan reserve movement	14	(165)	1,713
Income tax on defined benefit plan reserve movement	18	49	(514)
Income and expense recognised directly in equity that cannot be reclassified		**(116)**	**1,199**
Reclassifiable to the statement of income			
Foreign currency translation reserve movement	21	(143)	(309)
Income and expense recognised directly in equity that can be reclassified		**(143)**	**(309)**
Total recognised income and expense		**(16,325)**	**(104,867)**

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

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

Statement of Financial Position
as at 31 December 2023

In AUD'000	Notes	2023	2022	1 January 2022
Assets				
Cash and cash equivalents	9	144,166	143,098	170,880
Financial assets at fair value through profit or loss (FVPL)	10 & 22	3,627,500	3,336,476	3,412,006
Total investments and cash under own management		**3,771,666**	**3,479,574**	**3,582,886**
Reinsurance contract assets	12	340,810	260,528	298,746
Other assets	13	287,405	135,774	11,970
Defined benefit pension asset	14	884	1,049	-
Plant and equipment	15	3,603	3,852	4,253
Right of use assets	16	18,958	22,075	25,192
Intangible assets	17	2,416	4,053	6,197
Deferred tax assets	18	19,478	35,148	10,159
Total assets		**4,445,220**	**3,942,053**	**3,939,403**
Liabilities				
Liabilities for incurred claims (LIC)	11	1,508,811	1,318,839	1,268,176
Liabilities for remaining coverage (LRC)	11	844,355	660,450	679,673
Liabilities from insurance contracts issued		**2,353,166**	**1,979,289**	**1,947,849**
Reinsurance contract liabilities	12	963,951	990,408	1,066,142
Other liabilities	19	476,458	320,244	160,400
Defined benefit pension liability		-	-	664
Current tax liability	18	19,610	547	-
Lease liability	16	26,879	30,084	33,000
Subordinated loans	20	47,000	47,000	47,000
Total liabilities		**3,887,064**	**3,367,572**	**3,255,055**
Net assets		**558,156**	**574,481**	**684,348**
Shareholder's equity				
Share capital	21	150,000	150,000	150,000
Other Reserve	21	60,000	60,000	60,000
Cumulative other comprehensive income				
Defined benefit reserve	21	(5,584)	(5,468)	(6,667)
Foreign currency translation	14 & 21	4,110	4,253	4,562
Total of cumulative other comprehensive income		**(1,474)**	**(1,215)**	**(2,105)**
Retained earnings		**349,630**	**365,696**	**476,453**
Total shareholder's equity		**558,156**	**574,481**	**684,348**

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

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

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

In AUD'000	Share capital	Other reserve	Cumulative other comprehensive income: Defined benefit reserve	Cumulative other comprehensive income: Foreign currency translation	Retained earnings	Total shareholder's equity
Balance at 31 December 2021 as reported	150,000	60,000	(6,667)	4,562	340,511	**548,406**
Effects from initial application of AASB 17	-	-	-	-	135,942	**135,942**
Balance at 1 January 2022 (restated)	**150,000**	**60,000**	**(6,667)**	**4,562**	**476,453**	**684,348**
Net (loss)	-	-	-	-	(105,757)	**(105,757)**
Income and expense recognised directly in equity	-	-	1,199	(309)	-	**890**
Total recognised income and expense	**-**	**-**	**1,199**	**(309)**	**(105,757)**	**(104,867)**
Dividends paid	-	-	-	-	(5,000)	**(5,000)**
Balance at 31 December 2022	**150,000**	**60,000**	**(5,468)**	**4,253**	**365,696**	**574,481**
Net (loss)	-	-	-	-	(16,066)	**(16,066)**
Income and expense recognised directly in equity	-	-	(116)	(143)	-	**(259)**
Total recognised income and expense	**-**	**-**	**(116)**	**(143)**	**(16,066)**	**(16,325)**
Dividends paid	-	-	-	-		**-**
Balance at 31 December 2023	**150,000**	**60,000**	**(5,584)**	**4,110**	**349,630**	**558,156**

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

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

Statement of Cash Flows
For the year ended 31 December 2023

In AUD '000	Notes	2023	2022
Cash flow from operating activities			
Net (loss)		(16,066)	(105,757)
Add/(less) non-cash items:			
Amortisation component of ordinary investment income		(25,466)	(12,899)
Expected credit losses on investments		-	(6)
Change in fair value of financial instruments		(125,245)	472,495
Net realised gains on financial instruments		7,842	9,169
Gain from change in fair value of inflation swaps		(3,577)	(3,357)
Depreciation, amortisation and write-offs		5,821	6,059
Lease financing costs		1,145	1,267
Net cash (outflows)/inflows from operating activities before change in assets & liabilities		**(155,546)**	**366,971**
Change in assets and liabilities:			
Insurance contracts issued		373,877	31,440
Reinsurance contracts held		(106,739)	(37,516)
Other receivables		(148,054)	(96,702)
Other payables		156,214	135,044
Defined benefit pension asset		165	(1,713)
Deferred tax assets		15,719	(25,503)
Current tax liabilities		19,063	612
Net cash inflow from operating activities		**154,699**	**372,633**
Cash flow from investing activities			
Payments for financial assets at FVPL		(1,124,214)	(1,116,133)
Proceeds from sale of financial assets at FVPL		975,607	724,168
Payments for plant & equipment		(271)	(270)
Payments for system development costs		(548)	(128)
Net cash outflow from investing activities		**(149,426)**	**(392,363)**
Cash flow from financing activities			
Dividend paid		-	(5,000)
Lease payments		(4,350)	(4,183)
Net cash outflow from financing activities		**(4,350)**	**(9,183)**
Cash and cash equivalents at the beginning of the year		**143,098**	**172,707**
Change in cash and cash equivalents		923	(28,913)
Effects of exchange rate changes on the opening balance of cash and cash equivalents		145	(696)
Cash and cash equivalents at the end of the year	9	**144,166**	**143,098**

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

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

Notes to the financial statements 2023

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1. Summary of material accounting policies

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

Basis of presentation

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. The financial statements include the financial results and position of the entity's New Zealand branch.

These financial statements are 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*. The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

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

The preparation of the financial statements in conformity with 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 these financial statements have been disclosed in Note 2 *Major discretionary decision and estimates*.

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

The financial statements are 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 statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

The financial statements are prepared on a liquidity basis as this provides more reliable and relevant information.

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

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 comprises the insurance and reinsurance of individual and group death, total and permanent disability, trauma, income protection and annuity 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 net income 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.*

Classification of contracts

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

Financial instruments

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

Financial assets

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

Derivatives are recognised at FVPL and reported in the Statement of Financial Position under Note 13 *Other Assets* (that are “in the money”) and Note 19 *Other Liabilities* (that are “out the money”).

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

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

Valuation models

Financial instrument	Parameter	Pricing model
Fixed-income securities	Yield curve	Present value method
Inflation swaps	Australian CPI	Present value method

Financial liabilities

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

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

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

Netting of financial instruments

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

Cash and cash equivalents

Cash and cash equivalents are carried at face value. Cash collateral received on derivative positions are shown under other liabilities.

Reinsurance recoverables on technical reserves

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

Deferred tax assets

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

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

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

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

Right-of-use assets from lease contracts

Right-of-use assets are measured at amortised cost in the amount of the initial measurement of the lease liability, adjusted for prepaid lease payments, lease incentives received, initial direct costs incurred and probable restoration costs.

Right-of-use assets are amortised on a straight-line basis over the term of the lease contract.

Other assets

Other assets are accounted for at amortised cost.

Technical reserves, General measurement model – initial measurement

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

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

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

Fulfilment value – cash flows

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

Time value of money – discounting

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

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

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

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

Risk adjustment for non-financial risks

The non-financial risk adjustment for a group of insurance contracts reflects the amount of compensation needed to carry the uncertainty surrounding the amount and timing of the cash flows that arise out of non-financial risks – such as the insurance risk itself, the cost risk and in particular the risk associated with policyholder behaviour. The entity uses a "pricing margin approach" to determine the risk adjustment. The compensation for the uncertainty of the cash flows is considered within the premium calculations. The loadings on the cash flows determined here form the risk adjustment pursuant to AASB 17. The confidence level for risk adjustment for non-financial risks at the balance sheet date is 61%.

Contractual service margin (CSM)

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

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

Loss component

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

General measurement model – subsequent measurement

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

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

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

Changes in cash flows

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

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

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

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

Changes in cash flows (continued)

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

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

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

Retrocession contracts

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

The entity reports reinsurance contracts held at the earlier of the following points in time:
- At the beginning of the coverage period of the contracts held, or
- At the time when a group of onerous underlying assumed contracts is recognised.

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

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

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

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

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

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

Loss-recovery component

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

Derecognition and contract modification

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

Investment components

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

Deferred tax liabilities

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

Other liabilities

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

Lease liability

Lease liabilities are initially measured at the present value of essentially all lease payments that are not variable or dependent on an index or interest rate. The discount factor used is the implicit interest rate of the lease contract or the lessee’s incremental borrowing rate.

Shareholder's equity

Shareholder’s equity includes share capital which is comprised of the amounts paid in by the parent entity in respect of its shares. In addition to the other reserve of the entity and the allocations from net income, the retained earnings consist of reinvested profits generated by the entity in previous periods. In the event of a retrospective change of accounting policies, the adjustment for previous periods is recognised in the opening balance sheet value of the retained earnings and comparable items of the earliest reported period. Translation differences resulting from the currency translation of separate financial statements of the entity’s foreign branch are similarly recognised in other comprehensive income under cumulative foreign currency translation adjustments.

Translation of foreign operations

The Statement of Comprehensive Income and Statement of Financial position of the entity's New Zealand branch, that has New Zealand dollars as its functional currency, 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.

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.

Insurance revenue

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

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

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

Insurance service result

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

Insurance finance income and expenses

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

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

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

Taxes

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

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. Fair value of subordinated loans is disclosed in the Note 10 *Fair value hierarchy*.

Plant and equipment

Plant and equipment are initially recorded at cost and depreciated on a straight line basis over their estimated useful lives. The depreciation is charged to the Statement of Comprehensive Income.

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

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.

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

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

Derivatives and hedging activities

Derivatives are irrevocably elected for initial recognition at fair value through profit or loss 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 fair value hedges to hedge inflation risk associated with the settlement cash flows of recognised indexed policy liabilities and latest inflation assumptions applied to 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 fair values of the hedging instruments are expected to offset changes in the indexed cash flows of hedged items and inflation assumptions of highly probable forecast transactions. The entity documents its risk management objective and strategy for undertaking its hedge transactions.

Derivative financial instruments' fair values at the reporting date are disclosed in Note 10 *Financial value hierarchy*.

Collateral furnished or received is recognised per counterparty up to at most the amount of the respective net liability or net asset.

New accounting standards or accounting standards applied for the first time

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

AASB 17 replaces the existing transitional arrangements of AASB 4 *Insurance Contracts* (AASB 4) and AASB 1038 *Life Insurance Contracts* (AASB 1038) to establish a comprehensive accounting framework for the recognition, measurement and disclosure of insurance contracts. In addition, AASB 17 requires extensive new disclosures in the notes. The standard is to be applied to insurance contracts issued (including reinsurance contracts issued) and reinsurance contracts held (“reinsurance contracts ceded”, “retrocessions”).

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

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

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

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

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

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

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

Using adequately robust information that is available without unreasonable effort, the modified retrospective approach is intended to arrive at an overall result that approximates retrospective application. In connection with application of the modified retrospective approach, the following main simplifications were utilised:

- Contracts issued in intervals of more than one year were combined
- Use of a yield curve approximating the estimated yield curve for at least three years directly prior to the date of transition to AASB 17 that is based on the general approach used for calculating discount rates
- Restatement of the non-financial risk adjustment as at 1 January 2022 by the amount of the release of the non-financial risk adjustment expected prior to the transition date based on comparable contracts

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

Under the fair value approach, the contractual service margin of a group of contracts at the transition date is established as the difference between the fair value of this group calculated according to AASB 13 *Fair Value Measurement* and the corresponding fulfilment value calculated according to AASB 17.

The entity is applying each of the aforementioned transition arrangements, differentiated according to certain groups of contracts.

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

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

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

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

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

The amount of the technical liabilities and assets changes due to the concepts introduced in the standard relating to the discounting of future cash flows, the establishment of the contractual service margin, loss components and risk adjustment and other measurement differences compared to AASB 4 and AASB 1038, including for example the diverging definition of contract boundaries or the aforementioned grouping of contracts for measurement purposes. These changes as at 1 January 2022 resulted in an anticipated significant decrease of AUD 180,928,000 in the net technical liabilities.

Reduced by the mitigating effect of deferred taxes, the transition to the accounting standard AASB 17 as at 1 January 2022 caused the reported shareholders' equity of the entity to increase by AUD 135,935,000. The increase in the reported shareholders' equity as at 1 January 2022 is after the establishment of the net contractual service margin as the present value of expected future earnings. For the entity this amounts to AUD 238,867,000 before tax at the transition date and is thus far greater than the increase in the reported shareholders' equity.

Initial mandatory application of the standard was envisaged for annual reporting periods beginning on or after 1 January 2018. However, the AASB published *Amendments to AASB 4: Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts* in October 2016 and *Amendments to AASB 4: Extension of the Temporary Exemption from Applying AASB 9* in July 2020. These amendments extended the temporary deferral of initial application of AASB 9 *Financial Instruments* that had been granted to insurers and reinsurers ("deferral approach") until 1 January 2023, with the result that AASB 9 and AASB 17 are first applied by the entity at the same time.

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* and contains new rules for classifying and measuring financial instruments and for the accounting of general hedge relationships.

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

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

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

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

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

The classification of financial instruments according to AASB 9 is guided, on the one hand, by the cash flow characteristics of the financial instruments and, on the other, by the business model used to manage the financial instruments. On the basis of these two criteria, financial instruments are allocated to one of three measurement categories, namely "amortised cost" (business model "hold"), "fair value through other comprehensive income" (FVTOCI) (business model "hold and sell") or "fair value through profit or loss" (FVTPL) (business model "trading"). In view of the nature of insurance business, the portfolio of debt instruments is allocated to the business model "hold and sell". However, to achieve matching with insurance finance income or expense results in profit or loss, an irrevocable election has been made to classify financial instruments in the category "fair value through profit or loss". This classification is consistent to AASB 1038 resulting in no impact upon transition.

Further AASB Amendments and Interpretations

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

Published	Title	Initial application to annual periods beginning on or after the following date:
June 2023	AASB 2023 - 2 *Amendments to Australian Accounting Standards – Definition of Accounting Estimates International Tax Reform – Pillar Two Model Rules [AASB 112]*	1 January 2023
June 2021	AASB 2021 – 5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities a rising from a Single Transaction [AASB 112]*	1 January 2023
March 2021	AASB 2021 - 2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2*]	1 January 2023

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

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

Published	Title	Initial application to annual periods beginning on or after the following date:
December 2022	AASB 2022 – 6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*	1 January 2024
March 2020	AASB 2020 – 1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 January 2024
November 2022	AASB 2022 - 5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*	1 January 2024
June 2023	AASB 2023 – 1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*	1 January 2024

2. Major discretionary decision and estimates

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

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

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

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.

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.

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.

Provisions & contingent liabilities

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

3. Actuarial assumptions and methods

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

The life insurance contract liabilities for life insurance contracts are valued in accordance with AASB 17 *Insurance Contracts*, APRA Prudential Standard LPS 340 *Valuation of Policy Liabilities*, and the relevant actuarial standards and guidance.

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

Major Product Groups	**Profit Carrier**
Individual and group death insurance	Claims incurred
Disability insurance	Claims incurred

Disclosure of assumptions

The assumptions used to value life insurance contract liabilities are best estimates of expected future experience determined in accordance with AASB 17 and APRA Prudential Standard LPS 340. The key assumptions are as follows:

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

		2023				
Country	**Currency**	1 Year	5 Years	10 Years	20 Years	30 Years
Australian business	AUD	4.6% p.a.	4.2% p.a.	4.5% p.a.	4.7% p.a.	4.3% p.a.
New Zealand business	NZD	5.4% p.a.	4.1% p.a.	4.2% p.a.	4.4% p.a.	4.5% p.a.

		2022				
Country	**Currency**	1 Year	5 Years	10 Years	20 Years	30 Years
Australian business	AUD	4% p.a.	4.2% p.a.	4.5% p.a.	4.6% p.a.	4.6% p.a.
New Zealand business	NZD	5.5% p.a.	4.8% p.a.	4.7% p.a.	4.8% p.a.	4.9% p.a.

Disclosure of assumptions (continued)

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

Country	2023	2022
Australian business	2.8% to 3.2% p.a.	2.6% to 5% p.a.
New Zealand business	2.3% to 2.5% p.a.	1.95% to 1.98% p.a.

- Future expenses: The life insurance contract liabilities include an allowance for the directly attributable proportion of total expenses. The future maintenance expenses are assumed to be a set percentage of future premium income and claim payments. Future investment expenses have been assumed to be at the same percentage of assets under management as currently applies.

- Rates of taxation: Policy liabilities have been determined on a gross of taxation basis. The rates of taxation that apply to the entity are shown in Note 18 *Income tax*.

- Mortality and morbidity: Assumed mortality and morbidity claim rates were based on various published tables, primarily those most recently published by the Council of Australian Life Insurers, adjusted in light of recent industry experience and the 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:

Country	2023	2022
Australian business	35% to 250% of ADI 2014-2018	30% to 160% of ADI 2014-2018
New Zealand business	60% to 113% of ADI 2014-2018	55% to 120% of ADI 2014-2018

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

- Rates of discontinuance: Assumed policy discontinuance rates are based on recent actual discontinuance experience. Assumed rates may vary by sub-grouping within a category and vary according to the length of time tranches of business have been in force. Future rates of discontinuance for the major categories of business were assumed to be in the order of 2% - 46% p.a. (2022: 2% - 50% p.a.).

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

Processes used to select assumptions

- Discount rates: Cash flows are discounted with currency-specific, risk-free yield curves that are adjusted to reflect the respective characteristics of the cash flows and the liquidity of the underlying insurance contracts (bottom-up approach).
- Expense level: The current level of expense rates is taken as an appropriate expense base.
- Tax: Current tax legislation and rates are assumed to continue unaltered.
- Mortality and morbidity: An appropriate base table of mortality or morbidity is chosen for the type of product being written. An investigation into the actual experience of the 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.

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 discount rates, discontinuance rates, mortality, morbidity and inflation. A movement in any key variable will impact the performance of the entity.

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

		Impact upon net income after tax and equity	
In AUD'000	**Change in Variable**	**2023**	
		Gross Insurance	**Net insurance**
Worsening of mortality claim incidence rates	+10%	(98,403)	(7,669)
Worsening of morbidity claim incidence rates	+10%	(84,601)	+11,583
Worsening of income protection claim termination rates	-20%	(34,877)	+3,210
Deterioration in unreported claims development [1]	+10%	(62,564)	+5,440
Discontinuance	+10%	(4,385)	(659)
Expenses	+10%	(4,648)	(4,648)

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

		Impact upon net income after tax and equity	
In AUD'000	Change in Variable	2022	
		Gross Insurance	Net insurance
Worsening of mortality claim incidence rates	+10%	(106,000)	(5,000)
Worsening of morbidity claim incidence rates	+10%	(64,000)	+19,000
Worsening of income protection claim termination rates	-20%	(8,000)	+6,000
Deterioration in unreported claims development [1]	+10%	(58,000)	+4,000
Discontinuance	+10%	(21,000)	(2,000)
Expenses	+10%	(6,000)	(6,000)

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

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

4. Risk Management policies and procedures

The financial condition and operating results of the 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.

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.

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.

- The entity aims to limit its exposure to credit risk by only retroceding with financial entities with strong credit ratings. All of the entity's outwards retrocession exposures are to retrocession entities that at the valuation date had a credit rating of at least AA- (Standard & Poor's) with the exception of one reinsurer (A+), whom the entity has immaterial exposure to. Given these high credit ratings, management does not expect a reinsurer to fail to meet its obligations.

- 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 one reinsurer (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.

- 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.

- Interest rate 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.

- Credit spread risk: The movements in credit spreads can impact the value of the investments and therefore impact reported profit or loss. This risk is managed by investing in high quality, liquid fixed interest debt instruments.

- Currency risk: 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.

- 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 and derivatives in its portfolio.

Insurance risks

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

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

Methods to limit or transfer insurance risk exposures are:

- Outwards retrocession: The entity's outwards retrocession agreements are designed to provide some protection against volatility of profit from claims fluctuations and deteriorating experience and to provide financial support by way of capital relief. Outwards retrocession contracts are analysed to assess the impact on the entity's exposure to risk.

- 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 Company also has documented underwriting procedures for underwriting decisions. Such procedures include limits to delegated authorities and signing powers. The underwriting process is regularly reviewed by the 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.

- 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.

Insurance risks (continued)

- 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.

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

- Management reporting: The entity reports quarterly financial and operational results including, mortality and morbidity claim experience, policy discontinuance, and exposure for portfolios of contracts (gross and net of retrocession). This information includes the entity's gross and net results which are compared against the entity's business plan.
- Concentration of insurance risk: The demographics, insured event, industry, geographical location and currency of policyholders is spread with the expectation that the risk concentration is minimal.

Sensitivity to insurance risks

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

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

Tax risk management and related policies

The entity's Board does not sanction or support any activities which seek to aggressively structure its tax affairs. The entity's tax outcomes are determined by the nature of its business and it pays taxes accordingly. The entity has a framework to ensure that all tax requirements 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 as at 31 December 2023 for each fund have been determined in accordance with LPS 110 as follows:

	2023				
In AUD'000	**Australian Reinsurance Statutory Fund**	**Australian Statutory Fund**	**Overseas Statutory Fund**	**Shareholder Fund**	**Total**
Capital Base					
Net assets [1] [2]	379,405	119,292	39,371	20,088	558,156
Regulatory adjustments to net assets	(146,003)	(30,389)	(4,203)	-	(180,595)
Tier 2 capital	22,000	25,000	-	-	47,000
Intangible Assets	-	(884)	-	(2,416)	(3,300)
Total Capital Base	**255,402**	**113,019**	**35,168**	**17,672**	**421,261**
Prescribed Capital Amount (PCA)					
Insurance risk charge	66,469	9,446	5,298	-	81,213
Asset risk charge	44,402	19,411	1,984	30	65,827
Asset concentration risk charge	-	-	-	-	-
Operational risk charge	59,964	12,882	3,006	-	75,852
Less aggregation benefit	(23,864)	(5,633)	(1,265)	-	(30,762)
Combined stress scenario adjustment	37,288	9,953	1,666	14	48,921
Total PCA	**184,259**	**46,059**	**10,689**	**44**	**241,051**
Capital adequacy multiple (Capital Base/PCA)	**1.39**	**2.45**	**3.29**	**401.64**	**1.75**

(1) No Additional Tier 1 Capital was held and hence net assets are comprised solely of Common Equity Tier 1 Capital.
(2) Net assets reported above are after the transfer of retained profits and tax losses between the Statutory Funds and the Shareholder Fund as disclosed in Note 29 *Events after the reporting date*.

6. Capital requirements (continued)

The Capital Base and Prescribed Capital Amount at 31 December 2022 for each fund have been determined in accordance with LPS 110 as follows:

	2022				
In AUD '000	Australian Reinsurance Statutory Fund	Australian Statutory Fund	Overseas Statutory Fund	Shareholder Fund	Total
Capital Base					
Net assets [(1) (2)]	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	-	82,940
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	-	70,149
Less aggregation benefit	(14,685)	(8,287)	(1,358)	-	(24,330)
Combined stress scenario adjustment	31,519	17,979	2,158	17	51,673
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. Further 2022 net assets were determined under AASB 1038 *Life Insurance Contracts* as required by APRA prudential standards at the balance date.

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

7. Insurance service revenue / expenses gross and retroceded

In AUD'000	Notes	2023	2022
Insurance revenue (gross)			
Amounts relating to changes in liabilities for remaining coverage:			
Expected incurred claims and directly attributable expenses		968,815	946,579
Change in risk adjustment for non-financial risk for risk expired		43,736	38,215
CSM recognised for services provided		106,774	120,774
Experience adjustment in premiums		11,986	(92,887)
Total insurance revenue (gross)	11	**1,131,311**	**1,012,681**
Insurance services expenses (gross)			
Incurred claims and directly attributable expenses		(1,016,501)	(944,616)
Losses or reversal of losses on onerous contracts		(23,235)	(2,781)
Total insurance services expenses (gross)	11	**(1,039,736)**	**(947,397)**
Reinsurance revenue (retroceded)			
Incurred claims recovery		873,751	916,182
Losses recovery or reversal of losses recovery on onerous contracts		15,480	1,048
Total reinsurance revenue (retroceded)	12	**889,231**	**917,230**
Reinsurance expenses (retroceded)			
Amounts relating to the changes in the remaining coverage:			
Expected incurred claims and directly attributable expenses recovery		(877,705)	(871,031)
Changes in the risk adjustment for non-financial risk for the risk expired		(35,687)	(30,916)
CSM recognised for the services received		(82,499)	(83,542)
Experience adjustments arising from ceded premiums		(30,590)	91,514
Total reinsurance expenses (retroceded)	12	**(1,026,481)**	**(893,975)**

8. Other Income / Expenses

In AUD'000	2023	2022
Other income		
Income from services	3,130	3,181
Other interest income	2,386	617
Claims handling service fee	(32)	383
Sundry income	632	36
Total other income	**6,116**	**4,217**
Other expenses		
Expenses not directly attributable to insurance service results	37,435	36,652
Total other expenses	**37,435**	**36,652**

9. Cash and cash equivalents

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

In AUD'000	2023	2022
Cash and cash equivalents		
Bank balances	144,166	143,098
Cash and cash equivalents in the statement of cash flows	**144,166**	**143,098**

10. Financial value hierarchy

The table below analyses assets that are revalued and carried at fair value in the Statement of Financial Position, by valuation method. It also includes subordinated loans which are carried at amortised cost in the Statement of Financial Position and fair value is disclosed for information purpose. 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.

	2023			
AUD'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Investments	-	3,627,500	-	**3,627,500**
Derivatives**	-	6,920	-	**6,920**
Financial liabilities				
Subordinated loans*	-	36,143	-	**36,143**

	2022			
AUD'000	Level 1	Level 2	Level 3	Total
Financial assets				
Investments	-	3,336,476	-	3,336,476
Derivatives**	-	3,343	-	3,343
Financial liabilities				
Subordinated loans*	-	29,300	-	29,300

* 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 $367m carried at FVPL (2022: $420m carried at FVPL).

	2023	2022
	Level 2	
AUD'000	**Carrying amount**	**Carrying amount**
Balance as at 1 January	**3,336,476**	**3,412,006**
Purchased	1,124,214	1,116,133
Matured or sold	(983,449)	(733,337)
Accrued interest & amortisation	25,014	14,169
Remeasurements	125,245	(472,495)
Total change charge for the year	**291,024**	**(75,530)**
Balance as at 31 December	**3,627,500**	**3,336,476**

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

11. Liabilities from insurance contracts issued (gross)

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

	2023			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total
In AUD'000	**Excluding loss component**	**Loss component**		
Opening balance - assets	524,313	-	(241,052)	283,261
Opening balance - liabilities	(1,181,935)	(2,828)	(1,077,787)	(2,262,550)
Opening balance (net) as at 1 January	**(657,622)**	**(2,828)**	**(1,318,839)**	**(1,979,289)**
Changes in the statement of comprehensive income				
Insurance revenue	**1,131,311**	-	-	**1,131,311**
Incurred claims and directly attributable expenses	242,024	977	(1,248,349)	(1,005,348)
Adjustments to liabilities for incurred claims (past service)	-	-	(34,388)	(34,388)
Losses and reversal of losses on onerous contracts	24,212	(24,212)	-	-
Insurance service expenses	**266,236**	**(23,235)**	**(1,282,737)**	**(1,039,736)**
Insurance service result	**1,397,547**	**(23,235)**	**(1,282,737)**	**91,575**
Finance expenses from insurance contracts	10,454	(97)	(29,064)	(18,707)
Total changes in the statement of comprehensive income	**1,408,001**	**(23,332)**	**(1,311,801)**	**72,868**
Actual experience in the statement of comprehensive income which is not in the movement of liabilities for incurred claims	-	-	30,753	30,753
Effect of movements in exchange rates	5	13	170	188
Cash flows				
Premiums	(1,568,592)	-	-	(1,568,592)
Claims and directly attributable expenses	-	-	1,090,906	1,090,906
Cash flows total	**(1,568,592)**	-	**1,090,906**	**(477,686)**
Closing balance - assets	370,133	-	(249,075)	121,058
Closing balance - liabilities	(1,188,341)	(26,147)	(1,259,736)	(2,474,224)
Closing balance (net) as at 31 December	**(818,208)**	**(26,147)**	**(1,508,811)**	**(2,353,166)**

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

	2022			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total
In AUD'000	Excluding loss component	Loss component		
Opening balance - assets	732,029	-	(237,113)	494,916
Opening balance - liabilities	(1,411,702)	-	(1,031,063)	(2,442,765)
Opening balance (net) as at 1 January	**(679,673)**	**-**	**(1,268,176)**	**(1,947,849)**
Changes in the statement of comprehensive income				
Insurance revenue	**1,012,681**	**-**	**-**	**1,012,681**
Incurred claims and directly attributable expenses	266,158	253	(1,185,077)	(918,666)
Adjustments to liabilities for incurred claims (past service)	-	-	(28,731)	(28,731)
Losses and reversal of losses on onerous contracts	3,034	(3,034)	-	-
Insurance service expenses	**269,192**	**(2,781)**	**(1,213,808)**	**(947,397)**
Insurance service result	**1,281,873**	**(2,781)**	**(1,213,808)**	**65,284**
Finance expenses from insurance contracts	291,971	(11)	89,750	381,710
Total changes in the statement of comprehensive income	**1,573,844**	**(2,792)**	**(1,124,058)**	**446,994**
Actual experience in the statement of comprehensive income which is not in the movement of liabilities for incurred claims	-	-	27,648	27,648
Effect of movements in exchange rates	12	(36)	248	224
Cash flows				
Premiums	(1,551,805)	-	-	(1,551,805)
Claims and directly attributable expenses	-	-	1,045,499	1,045,499
Cash flows total	**(1,551,805)**	**-**	**1,045,499**	**(506,306)**
Closing balance - assets	524,313	-	(241,052)	283,261
Closing balance - liabilities	(1,181,935)	(2,828)	(1,077,787)	(2,262,550)
Closing balance (net) as at 31 December	**(657,622)**	**(2,828)**	**(1,318,839)**	**(1,979,289)**

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

Movement in carrying amount by measurement component

In AUD'000	2023 Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM (contractual service margin)	Total
Opening balance - assets	1,020,936	(123,504)	(614,171)	283,261
Opening balance - liabilities	(1,753,250)	(265,926)	(243,374)	(2,262,550)
Opening balance (net) as at 1 January	**(732,314)**	**(389,430)**	**(857,545)**	**(1,979,289)**
Changes in the statement of comprehensive income				
Changes that relate to ***current services***				
CSM recognised for services provided	-	-	106,774	106,774
Change in risk adjustment for non-financial risk for risk expired	-	43,736	-	43,736
Experience adjustments and change in estimates	(30)	(305)	-	(335)
	(30)	**43,431**	**106,774**	**150,175**
Changes that relate to ***future services***				
Contracts initially recognised in the year	85,810	(26,026)	(59,784)	-
Changes in estimates that adjust the CSM	(7,052)	(11,204)	18,256	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(24,212)	-	-	(24,212)
	54,546	**(37,230)**	**(41,528)**	**(24,212)**
Changes that relate to ***past services***				
Adjustments to liabilities for incurred claims	(34,319)	(69)	-	(34,388)
	(34,319)	**(69)**	**-**	**(34,388)**
Insurance service result	**20,197**	**6,132**	**65,246**	**91,575**
Net finance (income)/expenses from insurance contracts issued	10,212	(14,079)	(14,840)	(18,707)
Total changes in the statement of comprehensive income	**30,409**	**(7,947)**	**50,406**	**72,868**
Actual experience in the statement of comprehensive income which is not in the movement of liabilities for incurred claims	30,753	-	-	30,753
Effect of movements in exchange rates	7	44	137	188
Cash flows				
Premiums	(1,568,592)	-	-	(1,568,592)
Claims and directly attributable expenses	1,090,906	-	-	1,090,906
Total cash flows	**(477,686)**	**-**	**-**	**(477,686)**
Closing balance - assets	811,840	(119,188)	(571,594)	121,058
Closing balance - liabilities	(1,960,671)	(278,145)	(235,408)	(2,474,224)
Closing balance (net) as at 31 December	**(1,148,831)**	**(397,333)**	**(807,002)**	**(2,353,166)**

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

In AUD'000	2022 Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM (contractual service margin)	Total
Opening balance - assets	1,204,046	(130,645)	(578,485)	494,916
Opening balance - liabilities	(1,792,551)	(301,736)	(348,478)	(2,442,765)
Opening balance (net) as at 1 January	**(588,505)**	**(432,381)**	**(926,963)**	**(1,947,849)**
Changes in the statement of comprehensive income				
Changes that relate to ***current services***				
CSM recognised for services provided	-	-	120,774	120,774
Change in risk adjustment for non-financial risk for risk expired	-	38,215	-	38,215
Experience adjustments and change in estimates	(60,547)	(1,393)	-	(61,940)
	(60,547)	**36,822**	**120,774**	**97,049**
Changes that relate to ***future services***				
Contracts initially recognised in the year	66,473	(11,723)	(54,750)	-
Changes in estimates that adjust the CSM	34,047	(46,406)	12,359	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(3,034)	-	-	(3,034)
	97,486	**(58,129)**	**(42,391)**	**(3,034)**
Changes that relate to ***past services***				
Adjustments to liabilities for incurred claims	(29,127)	396	-	(28,731)
	(29,127)	**396**	**-**	**(28,731)**
Insurance service result	**7,812**	**(20,911)**	**78,383**	**65,284**
Net finance (income)/expenses from insurance contracts issued	327,088	63,795	(9,173)	381,710
Total changes in the statement of comprehensive income	**334,900**	**42,884**	**69,210**	**446,994**
Actual experience in the statement of comprehensive income which is not in the movement of liabilities for incurred claims	27,648	-	-	27,648
Effect of movements in exchange rates	(51)	67	208	224
Cash flows				
Premiums	(1,551,805)	-	-	(1,551,805)
Claims and directly attributable expenses	1,045,499	-	-	1,045,499
Total cash flows	**(506,306)**	**-**	**-**	**(506,306)**
Closing balance - assets	1,020,936	(123,504)	(614,171)	283,261
Closing balance - liabilities	(1,753,250)	(265,926)	(243,374)	(2,262,550)
Closing balance (net) as at 31 December	**(732,314)**	**(389,430)**	**(857,545)**	**(1,979,289)**

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

Contracts initially recognised

	2023			2022		
In AUD'000	**Profitable contracts issued**	**Onerous contracts issued**	**Total**	Profitable contracts issued	Onerous contracts issued	Total
Estimates of present value of cash outflows	(694,013)	(20,025)	(714,038)	(704,351)	(29,142)	(733,493)
Estimates of present value of cash inflows	776,672	22,257	798,929	766,235	32,325	798,560
Risk adjustment for non-financial risk	(25,607)	(419)	(26,026)	(11,122)	(601)	(11,723)
CSM	(57,052)	(2,732)	(59,784)	(50,762)	(3,988)	(54,750)
Increase in insurance contract liabilities from contracts recognised in the year	**-**	**(919)**	**(919)**	**-**	**(1,406)**	**(1,406)**

Amounts determined on transition to AASB 17

Insurance revenue and the CSM by transition method

	2023			
In AUD'000	**Contracts measured under the modified retrospective approach at transition**	**Contracts measured under the fair value approach at transition**	**New contracts**	**Total**
Insurance revenue	**285,763**	**522,376**	**323,172**	**1,131,311**
CSM as at 1 January	**(423,307)**	**(392,050)**	**(42,188)**	**(857,545)**
Changes that relate to current service				
CSM recognised for services provided	32,982	50,554	23,238	106,774
Changes that relate to future service				
Contracts initially recognised in the year	-	-	(59,784)	(59,784)
Changes in estimates that adjust the CSM	37,732	(16,832)	(2,644)	18,256
	70,714	**33,722**	**(39,190)**	**65,246**
Net finance (income)/expenses from insurance contracts issued	(4,400)	(7,258)	(3,182)	(14,840)
Effect of movements in exchange rates	-	136	1	137
Total amounts recognised in statement of comprehensive income	**66,314**	**26,600**	**(42,371)**	**50,543**
CSM as at 31 December	**(356,993)**	**(365,450)**	**(84,559)**	**(807,002)**

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

	2022			
In AUD'000	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	New Contracts	Total
Insurance revenue	**274,791**	**612,362**	**125,528**	**1,012,681**
CSM as at 1 January	**(470,584)**	**(456,379)**	**-**	**(926,963)**
Changes that relate to current service				
CSM recognised for services provided	48,299	59,383	13,092	120,774
Changes that relate to future service				
Contracts initially recognised in the year	-	-	(54,750)	(54,750)
Changes in estimates that adjust the CSM	3,829	8,620	(90)	12,359
	52,128	**68,003**	**(41,748)**	**78,383**
Net finance (income)/expenses from insurance contracts issued	(4,851)	(3,885)	(437)	(9,173)
Effect of movements in exchange rates	-	211	(3)	208
Total amounts recognised in statement of comprehensive income	**47,277**	**64,329**	**(42,188)**	**69,418**
CSM as at 31 December	**(423,307)**	**(392,050)**	**(42,188)**	**(857,545)**

The methods and assumptions applied by the entity in applying the modified retrospective and the fair value approaches on transition are disclosed in Note 1 *New accounting standards or accounting standards applied for the first time*.

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

Maturities of remaining contractual net cash flows and contractual service margin

In AUD'000	**2023** **Remaining contractual net cash flows**	**2023** **Contractual service margin**
Due in one year	42,818	(79,976)
Due after one through two years	(169,969)	(68,837)
Due after two through three years	(137,215)	(61,373)
Due after three through four years	(113,280)	(55,475)
Due after four through five years	(74,229)	(52,034)
Due after five through ten years	(437,369)	(228,819)
Due after ten through twenty years	(1,114,548)	(314,477)
Due after twenty years	(895,537)	(202,913)
Discounting	1,353,165	256,902
Total	**(1,546,164)**	**(807,002)**

In AUD'000	2022 Remaining contractual net cash flows	2022 Contractual service margin
Due in one year	69,646	(81,719)
Due after one through two years	(118,714)	(72,921)
Due after two through three years	(79,110)	(60,947)
Due after three through four years	(55,422)	(56,260)
Due after four through five years	(39,939)	(53,956)
Due after five through ten years	(275,603)	(240,137)
Due after ten through twenty years	(955,394)	(331,390)
Due after twenty years	(840,666)	(203,259)
Discounting	1,173,458	243,044
Total	**(1,121,744)**	**(857,545)**

12. Reinsurance contracts assets and liabilities

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

	2023			
	Remaining coverage component		Incurred claims	Total
In AUD'000	**Excluding loss recovery component**	**Loss recovery component**		
Opening balance - assets	91,504	-	51,437	142,941
Opening balance - liabilities	(1,082,971)	1,059	209,091	(872,821)
Net balance as at 1 January	**(991,467)**	**1,059**	**260,528**	**(729,880)**
Changes in the statement of comprehensive income:				
Recoveries of incurred claims and other insurance service expenses	(166,514)	(2,798)	1,040,265	870,953
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	18,278	-	18,278
Reinsurance revenue	**(166,514)**	**15,480**	**1,040,265**	**889,231**
Reinsurance expenses	**(1,026,481)**	**-**	**-**	**(1,026,481)**
Results from reinsurance contracts (retroceded)	**(1,192,995)**	**15,480**	**1,040,265**	**(137,250)**
Finance income from reinsurance contracts held	(146,221)	54	22,858	(123,309)
Total changes in the statement of comprehensive income	**(1,339,216)**	**15,534**	**1,063,123**	**(260,559)**
Effect of movements in exchange rates	242	(5)	(5)	232
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses	1,349,902	-	-	1,349,902
Recoveries from reinsurance	-	-	(982,836)	(982,836)
Cash flows total	**1,349,902**	**-**	**(982,836)**	**367,066**
Closing balance - assets	23,097	17,705	85,142	125,944
Closing balance - liabilities	(1,003,636)	(1,117)	255,668	(749,085)
Closing balance (net) as at 31 December	**(980,539)**	**16,588**	**340,810**	**(623,141)**

12. Reinsurance contracts assets and liabilities (continued)

	2022			
	Remaining coverage component		Incurred claims	Total
In AUD'000	Excluding loss recovery component	Loss recovery component		
Opening balance - assets	98,091	-	170,930	269,021
Opening balance - liabilities	(1,164,233)	-	127,816	(1,036,417)
Net balance as at 1 January	**(1,066,142)**	**-**	**298,746**	**(767,396)**
Changes in the statement of comprehensive income:				
Recoveries of incurred claims and other insurance service expenses	(163,312)	(7)	1,079,494	916,175
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	1,055	-	1,055
Reinsurance revenue	**(163,312)**	**1,048**	**1,079,494**	**917,230**
Reinsurance expenses	**(893,975)**	**-**	**-**	**(893,975)**
Results from reinsurance contracts (retroceded)	**(1,057,287)**	**1,048**	**1,079,494**	**23,255**
Finance income from reinsurance contracts held	(143,602)	11	(41,175)	(184,766)
Total changes in the statement of comprehensive income	**(1,200,889)**	**1,059**	**1,038,319**	**(161,511)**
Effect of movements in exchange rates	231	-	(261)	(30)
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses	1,275,333	-	-	1,275,333
Recoveries from reinsurance	-	-	(1,076,276)	(1,076,276)
Cash flows total	**1,275,333**	**-**	**(1,076,276)**	**199,057**
Closing balance - assets	91,504	-	51,437	142,941
Closing balance - liabilities	(1,082,971)	1,059	209,091	(872,821)
Closing balance (net) as at 31 December	**(991,467)**	**1,059**	**260,528**	**(729,880)**

12. Reinsurance contracts assets and liabilities (continued)

Movement in carrying amount by measurement component

In AUD'000	2023 Estimates of present value of future cash flows	Risk adjustment for non financial risk	CSM	Total
Opening balance - assets	38,337	54,569	50,035	142,941
Opening balance - liabilities	(1,772,092)	256,839	642,432	(872,821)
Closing balance (net) as at 1 January	**(1,733,755)**	**311,408**	**692,467**	**(729,880)**
Changes in the statement of comprehensive income:				
Changes that relate to ***current services***				
CSM recognised for services received	-	-	(82,499)	(82,499)
Change in risk adjustment for non-financial risk for risk expired	-	(71,414)	-	(71,414)
Experience adjustments and change in estimates	(58,227)	35,727	-	(22,500)
	(58,227)	**(35,687)**	**(82,499)**	**(176,413)**
Changes that relate to ***future services***				
Contracts initially recognised in the year	(65,678)	23,922	41,756	-
Changes in estimates that adjust the CSM	37,394	9,408	(46,802)	-
Changes in estimates that relate to losses and reversal of losses underlying onerous contracts	18,278	-	-	18,278
	(10,006)	**33,330**	**(5,046)**	**18,278**
Changes that relate to ***past services***				
Changes to incurred claims component	19,935	956	(6)	20,885
	19,935	**956**	**(6)**	**20,885**
Net expenses from reinsurance contracts	**(48,298)**	**(1,401)**	**(87,551)**	**(137,250)**
Net finance expenses from reinsurance contracts	(145,688)	11,467	10,912	(123,309)
Total changes in the statement of comprehensive income	**(193,986)**	**10,066**	**(76,639)**	**(260,559)**
Effect of movements in exchange rates	325	(32)	(61)	232
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses	1,349,902	-	-	1,349,902
Recoveries from reinsurance	(982,836)	-	-	(982,836)
Cash flows total	**367,066**	**-**	**-**	**367,066**
Closing balance - assets	3,135	58,245	64,564	125,944
Closing balance - liabilities	(1,563,485)	263,197	551,203	(749,085)
Closing balance (net) as at 31 December	**(1,560,350)**	**321,442**	**615,767**	**(623,141)**

12. Reinsurance contracts assets and liabilities (continued)

	2022			
In AUD'000	Estimates of present value of future cash flows	Risk adjustment for non financial risk	CSM	Total
Opening balance - assets	162,819	67,772	38,430	269,021
Opening balance - liabilities	(1,967,362)	281,279	649,666	(1,036,417)
Closing balance (net) as at 1 January	**(1,804,543)**	**349,051**	**688,096**	**(767,396)**
Changes in the statement of comprehensive income:				
Changes that relate to ***current services***				
CSM recognised for services received	-	-	(83,542)	(83,542)
Change in risk adjustment for non-financial risk for risk expired	-	(61,862)	-	(61,862)
Experience adjustments and change in estimates	84,125	30,946	-	115,071
	84,125	**(30,916)**	**(83,542)**	**(30,333)**
Changes that relate to ***future services***				
Contracts initially recognised in the year	(21,612)	9,499	12,113	-
Changes in estimates that adjust the CSM	(102,398)	33,237	69,161	-
Changes in estimates that relate to losses and reversal of losses underlying onerous contracts	1,055	-	-	1,055
	(122,955)	**42,736**	**81,274**	**1,055**
Changes that relate to ***past services***				
Changes to incurred claims component	51,727	815	(9)	52,533
	51,727	**815**	**(9)**	**52,533**
Net expenses from reinsurance contracts	**12,897**	**12,635**	**(2,277)**	**23,255**
Net finance expenses from reinsurance contracts	(141,277)	(50,228)	6,739	(184,766)
Total changes in the statement of comprehensive income	**(128,380)**	**(37,593)**	**4,462**	**(161,511)**
Effect of movements in exchange rates	111	(50)	(91)	(30)
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses	1,275,333	-	-	1,275,333
Recoveries from reinsurance	(1,076,276)	-	-	(1,076,276)
Cash flows total	**199,057**	**-**	**-**	**199,057**
Closing balance - assets	38,337	54,569	50,035	142,941
Closing balance - liabilities	(1,772,092)	256,839	642,432	(872,821)
Closing balance (net) as at 31 December	**(1,733,755)**	**311,408**	**692,467**	**(729,880)**

12. Reinsurance contracts assets and liabilities (continued)

Contracts recognised

	2023		
In AUD'000	**Contracts originated in a net gain**	**Contracts originated not in a net gain**	**Total**
Estimates of present value of cash inflows	634,632	-	634,632
Estimates of present value of cash outflows	(700,310)	-	(700,310)
Risk adjustment for non-financial risk	23,922	-	23,922
CSM	41,756	-	41,756
Losses recognised on initial recognition (or increase in reinsurance contract assets from contracts recognised during the year)	**-**	**-**	**-**

	2022		
In AUD'000	Contracts originated in a net gain	Contracts originated not in a net gain	Total
Estimates of present value of cash inflows	644,106	-	644,106
Estimates of present value of cash outflows	(665,718)	-	(665,718)
Risk adjustment for non-financial risk	9,499	-	9,499
CSM	12,113	-	12,113
Losses recognised on initial recognition (or increase in reinsurance contract assets from contracts recognised during the year)	**-**	**-**	**-**

12. Reinsurance contracts assets and liabilities (continued)

Amounts determined on transition to AASB 17

CSM by transition method - Reinsurance contracts held

	2023			
In AUD'000	**Contracts measured under the modified retrospective approach at transition**	**Contracts measured under the fair value approach at transition**	**New contracts**	**Total**
CSM as at 1 January	**438,164**	**245,863**	**8,440**	**692,467**
Changes that relate to current service				
CSM recognised for services received	(32,295)	(42,240)	(7,970)	(82,505)
Changes that relate to future service				
Contracts initially recognised in the year	-	-	41,756	41,756
Changes in estimates that adjust the CSM	(41,430)	(1,831)	(3,541)	(46,802)
	(73,725)	**(44,071)**	**30,245**	**(87,551)**
Net finance expenses from reinsurance contracts	4,555	4,535	1,822	10,912
Effect of movements in exchange rates	-	(61)	-	(61)
Total amounts recognised in statement of comprehensive income	**(69,170)**	**(39,597)**	**32,067**	**(76,700)**
CSM as at 31 December	**368,994**	**206,266**	**40,507**	**615,767**

	2022			
In AUD'000	Contracts measured under the modified retrospective approach at transition	Contracts measured under the fair value approach at transition	New contracts	Total
CSM as at 1 January	**436,065**	**252,031**	**-**	**688,096**
Changes that relate to current service				
CSM recognised for services received	(44,025)	(39,449)	(77)	(83,551)
Changes that relate to future service				
Contracts initially recognised in the year	-	-	12,113	12,113
Changes in estimates that adjust the CSM	41,638	31,224	(3,701)	69,161
	(2,387)	**(8,225)**	**8,335**	**(2,277)**
Net finance expenses from reinsurance contracts	4,486	2,148	105	6,739
Effect of movements in exchange rates	-	(91)	-	(91)
Total amounts recognised in statement of comprehensive income	**2,099**	**(6,168)**	**8,440**	**4,371**
CSM as at 31 December	**438,164**	**245,863**	**8,440**	**692,467**

12. Reinsurance contracts assets and liabilities (continued)

Maturities of remaining contractual net cash flows and contractual service margin

	2023	
In AUD'000	**Remaining contractual net cash flows**	**Contractual service margin**
Due in one year	(339,205)	57,126
Due after one through two years	(145,732)	51,105
Due after two through three years	(117,859)	46,841
Due after three through four years	(106,297)	42,625
Due after four through five years	(99,241)	40,024
Due after five through ten years	(373,250)	177,807
Due after ten through twenty years	(348,052)	243,393
Due after twenty years	(103,647)	132,225
Discounting	394,375	(175,379)
Total	**(1,238,908)**	**615,767**

	2022	
In AUD'000	Remaining contractual net cash flows	Contractual service margin
Due in one year	(296,783)	68,807
Due after one through two years	(172,596)	55,070
Due after two through three years	(136,551)	46,927
Due after three through four years	(126,882)	44,632
Due after four through five years	(119,349)	43,084
Due after five through ten years	(466,361)	196,910
Due after ten through twenty years	(464,872)	272,454
Due after twenty years	(153,592)	140,914
Discounting	514,639	(176,331)
Total	**(1,422,347)**	**692,467**

13. Other assets

In AUD'000	**2023**	2022
Other assets		
Payments for contracts issued and retroceded	259,530	109,934
Derivative financial instruments	6,920	3,343
Advances to cedants and distributors	18,750	20,668
Security deposit	2,205	1,829
	287,405	**135,774**

Payments for contracts issued and retroceded

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

13. Other assets (continued)

Derivative financial instruments

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 inflation risk arises from long tailed CPI-indexed Disability Income Insurance (DII or hedge item) benefit payments to policyholders. The entity manages part of 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. The entity also uses inflation linked bonds to hedge inflation risk.

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

In AUD'000	2023	2022
Current assets		
Inflation swaps – FVPL	1,064	636
Non-current assets		
Inflation swaps – FVPL	5,856	2,707
	6,920	**3,343**

14. Defined benefit plan

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.

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 2023 was $6,881,000 (2022: $6,257,000). The assets of the Plan are invested in unit linked products within MST. The assets of the Plan as at 31 December 2023 were $7,765,000 (2022: $7,306,000). The net defined benefit asset at this date was $884,000 (2022: $1,049,000).

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 defined benefit plan was $207,438 for the year ended 31 December 2023 (2022: $206,468).

15. Plant and equipment

In AUD'000	2023	2022
Fixtures, Fittings & Equipment		
Cost		
Balance as at 1 January	6,620	7,092
Acquisitions	271	270
Disposals	(393)	(742)
Balance as at 31 December	**6,498**	**6,620**
Accumulated Depreciation		
Balance as at 1 January	2,768	2,839
Depreciation charge for the year	520	671
Disposals	(393)	(742)
Balance as at 31 December	**2,895**	**2,768**
Carrying Amounts		
As at 1 January	3,852	4,253
As at 31 December	3,603	3,852
Straight line depreciation rate	5% - 40%	5% - 40%

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

16. Lease

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 year 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.

In AUD'000	2023	2022
The statement of financial position shows the following amounts relating to lease:		
Right of use assets		
Office space	18,958	22,075
Lease liability		
Current portion	3,513	3,205
Non-current portion	23,366	26,879
Total	**26,879**	**30,084**
The statement of comprehensive income includes the following amounts relating to lease:		
Depreciation charge of right of use assets	3,116	3,116
Interest expenses (included in Financing costs)	1,145	1,267

17. Intangible assets

In AUD'000	2023	2022
System Development Costs		
Cost		
Balance as at 1 January	10,691	13,241
Acquisitions	548	128
Written off as fully amortised	(3,155)	(2,678)
Balance as at 31 December	**8,084**	**10,691**
Accumulated amortisation		
Balance as at 1 January	6,638	7,044
Amortisation	1,813	2,272
Written off as fully amortised	(2,783)	(2,678)
Balance as at 31 December	**5,668**	**6,638**
Carrying Amounts		
As at 1 January	4,053	6,197
As at 31 December	2,416	4,053
Straight line depreciation rate	5% - 40%	5% - 40%

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

18. Income tax

In AUD'000	2023	2022
Current tax expense		
Current year	19,610	1,525
Prior year	1	1
	19,611	**1,526**
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences		
- Current year	21,344	(25,049)
- Prior year	(5,666)	(430)
	15,678	**(25,479)**
Total income tax expense/(benefit) disclosed in statement of comprehensive income	**35,289**	**(23,953)**
Reconciliation between tax expense/(benefit) and pre-tax net income/(loss)		
Net income/(loss) before tax	19,223	(129,710)
Prima facie income tax expense/(benefit) calculated at 30% (2022: 30%) on the income/(loss) from ordinary activities for the year ended 31 December:	5,767	(38,913)
Increase in income tax expense due to:		
- Non-deductible retrocession	28,529	11,705
- Other	884	3,685
(Decrease)/increase in income tax expense due to:		
- Over provision from prior year	1	(429)
- Difference in New Zealand tax rate	108	(1)
Income tax expense/(benefit) on pre-tax net income/(loss)	**35,289**	**(23,953)**
Deferred tax (benefit)/expense recognised directly in equity through OCI		
Related to movement in defined benefit provision	**(49)**	**514**

18. Income tax (continued)

During 2023 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% (2022: 28%).

Recognised deferred tax (assets) and liabilities

	Assets		Liabilities		Net Tax Asset	
In AUD'000	**2023**	2022	**2023**	2022	**2023**	2022
Employee benefits	(1,685)	(1,543)	-	-	(1,685)	(1,543)
Life insurance contract liabilities	(13,542)	(363)	-	-	(13,542)	(363)
Other items	3,570	3,453	-	-	3,570	3,453
Tax value of loss carry-forward recognised	(7,821)	(36,695)	-	-	(7,821)	(36,695)
Net deferred tax (assets)	**(19,478)**	**(35,148)**	**-**	**-**	**(19,478)**	**(35,148)**

	2023				
In AUD'000	**Opening balance**	**Exchange Movement in Equity**	**Recognised in Income**	**Recognised in Equity**	**Closing balance**
Movements in temporary differences during the year					
Employee benefits	(1,543)	-	(93)	(49)	(1,685)
Life insurance contract liabilities	(363)	41	(13,220)	-	(13,542)
Other items	3,453	-	117	-	3,570
Tax value of loss carry-forward recognised	(36,695)	-	28,874	-	(7,821)
	(35,148)	**41**	**15,678**	**(49)**	**(19,478)**

	2022				
In AUD'000	Opening balance	Exchange Movement in Equity	Recognised in Income	Recognised in Equity	Closing balance
Movements in temporary differences during the year					
Employee benefits	(1,660)	-	(397)	514	(1,543)
Life insurance contract liabilities	-	(24)	(339)	-	(363)
Other items	9,950	-	(6,497)	-	3,453
Tax value of loss carry-forward recognised	(18,449)	-	(18,246)	-	(36,695)
	(10,159)	**(24)**	**(25,479)**	**514**	**(35,148)**

19. Other liabilities

In AUD'000	**2023**	2022
Other liabilities		
Receipts for contracts issued and retroceded	464,242	312,860
Annual leave liability - current	2,412	2,420
Long service leave liability – non current	2,735	2,690
Other long term employee benefit liabilities – non current	1,354	1,084
Margin deposits for derivative financial instruments	5,715	1,190
	476,458	**320,244**

19. Other liabilities (continued)

Receipts for contracts issued and retroceded

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

20. 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.

The interest expense on loans for the year was $1,579,200 (2022: $1,579,200).

21. Shareholder's equity

In AUD'000	2023	2022
Share capital		
Ordinary shares 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.

The movement below represents changes to the other reserve, foreign currency translation reserve and defined benefit reserve:

In AUD'000	2023	2022
Reserves		
Opening balance as at 1 January	**58,785**	**57,895**
Net defined benefit liability	(116)	1,199
Foreign currency translation	(143)	(309)
Closing balance as at 31 December	**58,526**	**58,785**

- 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. There was no change in other reserve during the current and prior year.

- Defined benefit 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.

- Foreign currency 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.

22. 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 policies and procedures. Further quantitative disclosures are below.

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

Credit risk exposure

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

In AUD'000	2023	2022
Cash	144,166	143,098
Financial assets at FVPL – debt securities	3,627,500	3,336,476
Other assets	287,405	135,774
Credit risk exposure to financial assets at FVPL by Issuing Sector		
Government	1,401,651	975,207
Semi-Government – Government Guaranteed	215,958	56,360
Semi-Government	268,541	220,299
Government Agency	83,067	210,442
Government Agency – Government Guaranteed	406,906	385,671
Sovereign supranational	433,635	423,553
Sovereign supranational – Foreign Government Guaranteed	89,878	139,576
Corporate	727,864	920,368
Bank note	-	5,000
Total	**3,627,500**	**3,336,476**
Financial assets at FVPL by credit rating of issuer		
AAA	2,730,240	2,385,394
AA	547,089	540,724
A	229,190	294,631
BBB	120,981	115,727
Total	**3,627,500**	**3,336,476**

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.

22. Financial instrument risks (continued)

Market risk sensitivity

The entity has sensitivity to the following market risks:

In AUD'000	2023	2022
Interest rate risk		
At balance date the entity held the following interest sensitive financial instruments:		
Investment assets – debt securities	3,627,500	3,336,476
A change of 100 basis points in interest rates at balance date would have increased/(decreased) equity and income/(loss) by the amounts:		
- plus 100 basis points will (decrease) income and equity by	(255,560)	(188,586)
- minus 100 basis points will increase income and equity by	295,951	213,032
Net insurance contracts liability balance	2,976,307	2,709,169
A change of 100 basis points in interest rates at balance date would have increased/(decreased) equity and income/(loss) by the amounts:		
- plus 100 basis points will increase income and equity by	216,341	168,000
- minus 100 basis points will (decrease) income and equity by	(251,624)	(196,000)
Currency risk	**NZD'000**	**NZD'000**
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	173,710	151,373
Total liabilities denominated in New Zealand dollars	131,257	104,340
In AUD'000		
A 10% strengthening in the value of the Australian dollar at the balance date would (decrease) equity and (decrease) income by the amounts shown below:		
- Strengthening of the Australian dollar against the NZD will (decrease) equity by	(6,455)	(4,322)
- Strengthening of the Australian dollar against the NZD will increase/(decrease) income by	549	11

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 (2023: NZD $1 = AUD $0.929, 2022: NZD $1 = AUD $0.934).

22. Financial instrument risks (continued)

Liquidity risk

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

	2023						
Years	**1**	**2**	**3**	**4**	**5**	**>5**	**Total**
In AUD'000							
Assets							
Cash and cash equivalents	144,166	-	-	-	-	-	144,166
Financial assets at FVPL	427,985	346,448	380,261	243,037	179,271	2,050,500	3,627,502
Derivatives	1,064	874	696	1,046	426	2,814	6,920
Other assets	287,405	-	-	-	-	-	287,405
Liabilities							
Other liabilities	476,458	-	-	-	-	-	476,458
Current tax liability	19,610	-	-	-	-	-	19,610
Lease liability	4,524	4,705	4,894	5,089	5,293	5,965	30,470
Subordinated loans	1,579	1,579	1,579	1,579	1,579	54,108	62,003

	2022						
Years	1	2	3	4	5	>5	Total
In AUD'000							
Assets							
Cash and cash equivalents	143,098	-	-	-	-	-	143,098
Financial assets at FVPL	293,966	420,709	412,764	413,677	216,381	1,578,979	3,336,476
Derivatives	636	625	308	225	671	878	3,343
Other assets	135,774	-	-	-	-	-	135,774
Liabilities							
Other liabilities	320,244	-	-	-	-	-	320,244
Current tax liability	547	-	-	-	-	-	547
Lease liability	4,350	4,524	4,705	4,894	5,089	11,258	34,820
Subordinated loans	1,579	1,579	1,579	1,579	1,579	55,687	63,582

23. Disaggregated information of life insurance business by fund

	2023				
In AUD'000	**Australian Statutory Fund**	**Australian Reinsurance Statutory Fund**	**Overseas Statutory Fund**	**Shareholder's Fund**	**Total**
Financial assets at FVPL	455,701	3,037,878	122,393	11,528	**3,627,500**
Other assets	62,860	377,286	26,778	9,986	**476,910**
Recoverable on insurance contracts retroceded	28,526	(584,939)	(66,728)	-	**(623,141)**
Liabilities from insurance contracts issued	301,336	2,040,613	11,217	-	**2,353,166**
Other liabilities	126,461	410,208	31,853	1,425	**569,947**
Retained earnings	22,444	317,406	35,268	(25,488)	**349,630**
Total equity	119,290	379,404	39,373	20,089	**558,156**
Insurance service result (net)	(5,574)	(44,679)	4,578	-	**(45,675)**
Insurance finance result (net)	(19,993)	(107,293)	(14,730)	-	**(142,016)**
Net income from financial instruments	21,875	211,963	6,658	461	**240,957**
Net other income / (expenses)	(9,507)	(19,824)	(2,357)	369	**(31,319)**
Operating profit/(loss) (EBIT)	(13,199)	40,167	(5,851)	830	**21,947**
Net income	(4,865)	(7,438)	(4,344)	581	**(16,066)**

	2022				
In AUD'000	Australian Statutory Fund	Australian Reinsurance Statutory Fund	Overseas Statutory Fund	Shareholder's Fund	Total
Financial assets at FVPL	475,040	2,739,148	109,113	13,175	3,336,476
Other assets	143,445	163,216	25,627	12,761	345,049
Recoverable on insurance contracts retroceded	14,177	(677,047)	(67,010)	-	(729,880)
Liabilities from insurance contracts issued	306,199	1,681,971	(8,881)	-	1,979,289
Other liabilities	128,038	237,094	32,743	-	397,875
Retained earnings	101,469	244,254	39,615	(19,642)	365,696
Total equity	198,425	306,252	43,868	25,936	574,481
Insurance service result (net)	41,410	45,028	2,101	-	88,539
Insurance finance result (net)	57,841	136,043	3,060	-	196,944
Net income from financial instruments	(116,031)	(260,484)	(3,441)	44	(379,912)
Net other expenses	(10,337)	(19,442)	(2,571)	(85)	(32,435)
Operating (loss) (EBIT)	(27,117)	(98,855)	(851)	(41)	(126,864)
Net income	6,777	(111,639)	(866)	(29)	(105,757)

24. Auditor's remuneration

In AUD’000	2023	2022
Audit services performed by auditors of the entity – PricewaterhouseCoopers:		
- Audit and review of the financial reports	690,682	675,044
- Other regulatory audit services	76,742	62,865
Other Assurance Services	328,350	266,191
	1,095,774	1,004,100

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 Note 8 *Other expenses* are as follows:

In AUD	2023	2022
Short term employee benefits	4,376,998	3,853,370
Post employment benefits	222,172	202,670
Other long term benefits	306,907	289,349
	4,906,077	**4,345,389**

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.

- 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.

- 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.

- 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.

Transactions with related parties

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

In AUD	2023	2022
Transactions during the year		
Reinsurance revenue (retroceded)	870,094,000	908,334,000
Reinsurance expenses (retroceded)	(1,005,651,000)	(879,939,000)
Net finance income from reinsurance contracts (retroceded)	(126,129,000)	(181,092,000)
Payments for services	(7,475,414)	(5,553,187)
Income from services	3,128,844	3,181,730
Investment management fees	(4,088,032)	(3,645,199)
Interest on subordinated loans	(1,421,280)	(1,421,280)
Payables – Current		
Amounts due to related party	130,099,222	89,974,304
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 business terms of credit.

Parent entities

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

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 net loss/income and retained profits reported in these financial statements are the same under the *Life Insurance Act 1995*.

28. Contingencies and commitments

As security for the entity's technical liabilities in respect of one cedant, a financial institution has furnished surety for our entity in the form of a letter of credit. The total amount as at the balance sheet date was AUD 22 million (2022: AUD 22 million).

Contingent liabilities may exist in relation to customer complaints brought before the Australian Financial Complaints Authority (AFCA) or a court or other authorised tribunal. These bodies have the power to make determinations about complaints and can award compensation.

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

The Board of Directors resolved on 16 February 2024 to transfer retained profits of AUD 65m from Australian Statutory Fund to the Australian Reinsurance Statutory Fund with an effective date of 31 December 2023.

Retained profits of AUD 1.4m were also transferred from the Shareholder Fund to Australian Reinsurance Statutory Fund on 20 March 2024 with effect from 31 December 2023.

At a meeting of the Board of Directors on 20 March 2024, the Board approved the transfer of AUD 29.77m of tax losses from the Australian Statutory Fund to the Australian Reinsurance Statutory Fund at a fair value of AUD 28.54m, with an effective date of 31 December 2023.

These transfers are reflected in Note 23 *Disaggregated information of life insurance business by statutory fund*.

Except for the events listed above, there has not arisen in the interval between the end of the financial year and the date of issuance of the financial statements any other item, transactions, or event of a material and unusual nature likely, in the opinion of the Directors, to 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 2023

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 65 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 2023 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 — Sydney

Chairman — 20 March 2024

pwc

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 2023 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 2023
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, including material accounting policy information 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.

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 2023, but does not include the financial report and our auditor's report thereon.

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

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/ar3.pdf.

This description forms part of our auditor's report.

PricewaterhouseCoopers

R Balding
Partner

Sydney
20 March 2024

Appointed Actuary's Section 78 Report
To the Directors of Hannover Life Re of Australasia Ltd

In respect of the Financial Statements
31 December 2023

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

(a) This report has been prepared by Jun Song BCom, FIAA, FNZSA; Appointed Actuary to Hannover Life Re of Australasia Ltd.

(b) I have undertaken a review of the financial statements of the Company as required by Section 77 of the Act. My review has been carried out in accordance with the Interim Solvency Standard 2023 (as modified by the licence conditions of the 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 claims, discontinuance, discount and inflation actuarial assumptions;

  (ii) information relating to the Company's calculation of insurance service revenue, insurance service expense, reinsurance expenses, liability for remaining coverage, liability for incurred claims, contractual service margin and risk adjustment.

  (iii) information relating to assessments of the probability of uncertain future events occurring (sensitivity analysis) and the financial implications for the Company if those events do occur; and

  (iv) information relating to the capital and solvency position of the Company.

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 2023, the solvency margins that apply to Hannover Life Re of Australasia Ltd and its statutory funds under conditions imposed under section 21(2)(b) and (c) of the Act are the solvency margins calculated in accordance with the Australian equivalent of the New Zealand solvency requirements. In my opinion and from an actuarial perspective, Hannover Life Re of Australasia Ltd and its statutory funds maintained those solvency margins as at 31 December 2023.

Jun Song
Appointed Actuary
14 March 2024