Ansvar Insurance Limited

ABN 21 007 216 506

Annual Report for the financial year ended 31 December 2023

Ansvar Insurance Limited

Contents

Corporate Information

ABN 21 007 216 506

Directors
Patricia Kelly, Chairperson
Warren Hutcheon, Chief Executive Officer
Mark Bennett
Michael Grantham
David Lambert
Helen Thornton
S. Jacinta Whyte

Company Secretary
Maggy Samaan

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External Auditor
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Internal Auditor
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Victoria
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Appointed Actuary
Finity Consulting Pty Ltd
Level 3, 30 Collins Street
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Directors' Report

The Directors of Ansvar Insurance Limited (Ansvar) (the Company) submit their report for the year ended 31 December 2023.

The names and details of Ansvar's Directors during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Patricia Kelly Chairperson and Independent Non-Executive Director	Patricia joined the Board in May 2014 and was appointed Chairperson in June 2018. She has had over 40 years' experience within the financial services sector. Her previous roles include Executive General Manager Strategy and Business Development Personal Insurance at Suncorp, General Manager AAMI New South Wales and Director and Executive General Manager Life and Superannuation at Norwich Union Life Australia. Patricia is a past President and Honorary Life Member of the Insurance Institute of Victoria and a former Director of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF). She was an Independent Non-Executive Director of the Royal Automobile Club of Victoria (RACV) and the Legal Practitioners' Liability Committee, with over 12 years' experience on these Boards. Patricia also served as a Non-Executive Director and Chairperson of the Royal Automobile Club of Tasmania (RACT) Insurance Pty Limited. Patricia is the Chairperson of the Nominations and Remuneration Committee and a member of the Audit Committee, Risk and Compliance Committee, Strategic Review Committee and Technology Committee.
Warren Hutcheon MBA, GAICD, Fellow ANZIIF (CIP) Chief Executive Officer and Executive Director	Warren was appointed Chief Executive Officer and Director of Ansvar in May 2014. Prior to joining Ansvar he was the Chief Executive Officer of the Victorian Managed Insurance Authority, the risk and insurance advisor to the Victorian Government. Warren has over 30 years' experience in risk and insurance. He has held senior management positions in underwriting, claims, operational management, strategy and organisational change. Warren is an active supporter of the Australian insurance industry and served as Chairperson of the ANZIIF General Insurance Faculty Advisory Board. Warren is a Director of ACS (NZ) Limited and a member of the Strategic Review Committee and Technology Committee.
Mark Bennett Non-Executive Director	Mark was appointed to the Board in March 2022. He is the Group Chief Actuary of Benefact Group Plc and Ecclesiastical Insurance Office Plc and is a member of the Benefact Group Management Board. He joined the Benefact Group in 2007 having previously worked for an actuarial consultancy firm in London. Having qualified as an Actuary in 2009 and worked in many actuarial teams, Mark was appointed Group Chief Actuary in 2018 and now has responsibility for the Benefact Group Actuarial, Reinsurance, Data and Risk and Compliance functions. Mark also chairs and is a member of a number of key Boards and Committees across the Benefact Group. Mark is a member of the Strategic Review Committee.
Michael Grantham MBA, FAICD Independent Non-Executive Director	Michael was appointed to the Board in March 2016. Michael has over 40 years' experience as an information and communications technology professional. Michael is a former Director Google Cloud Public Sector, General Manager of NBN Co Limited and Director of CGU Australia Limited, CGU Insurance Limited and Insurance Network Services. He has also held the position of Chief Information Officer at CGU Insurance Limited, Australian Customs and Border Protection and Tenix. Michael is the Chairperson of the Technology Committee and a member of the Audit Committee, Nominations and Remuneration Committee and Risk and Compliance Committee.

Directors' Report

David Lambert BA (Hons), LLB Independent Non-Executive Director	David was appointed to the Board in July 2018. David is an experienced executive, Director and commercial lawyer with diverse international experience. David has held a number of senior risk, strategy, corporate secretariat and legal practice roles for organisations which include Total Tools, Blackmagic Design, EnergyAustralia, National Foods, Clifford Chance, Ashton Mining and Bapcor Limited. David was appointed Ansvar's Senior Independent Director during 2023 and was the Chairperson of the Strategic Review Committee (which concluded its work on 1 December 2023). He is also a member of the Audit Committee, Nominations and Remuneration Committee and Risk and Compliance Committee.
Helen Thornton BEc, CA, GAICD Independent Non-Executive Director	Helen joined the Board in May 2018 and was appointed Chairperson of the Audit Committee and Risk and Compliance Committee in June 2018. A Chartered Accountant, Helen has extensive experience in finance, governance, audit and risk management. She has held senior management roles at Deloitte, KPMG, BHP Limited and BlueScope Steel Limited where she was responsible for the company's global risk management function. Helen is also an experienced Non-Executive Director. Her current directorships include Deputy Chairperson of the Treasury Corporation of Victoria and Non-Executive Director of McPherson's Limited, ISPT Pty Limited and Arena REIT Limited. Helen is also a member of the Nominations and Remuneration Committee.
S. Jacinta Whyte MC Inst. M, ACII, Chartered Insurer Non-Executive Director	Jacinta was appointed to the Board in August 2013. She is Deputy Group Chief Executive of Ecclesiastical Insurance Office Plc and Benefact Group Plc. Jacinta joined the Benefact Group in 2003 as General Manager and Chief Agent of the Group's Canadian business, where she turned around the performance of the Canadian operation, building a high performing team and a successful specialist insurance business. Jacinta is responsible for the Group's general insurance operations worldwide, covering the United Kingdom, Ireland, Australia and Canada. She commenced her career as an underwriter in 1974 with Royal and Sun Alliance in Dublin and moved with them to Canada in 1988. During her Royal and Sun Alliance career, she held a number of senior executive positions in Ireland and Canada. Jacinta is a member of the Nominations and Remuneration Committee and Strategic Review Committee.

As at the date of this report, the Directors held no interests in the shares and options of Ansvar Insurance Limited.

Company Secretary

Maggy Samaan LLM, LLB, BSc	Maggy was appointed as Company Secretary and Legal Counsel in April 2022. Maggy is a senior corporate lawyer with broad experience working as a Company Secretary in the public, private and non-for-profit sectors. She specialises in corporate governance including contract and commercial law. Maggy has over 15 years' experience as a lawyer and is a graduate of the Governance Institute.

Principal activities

Ansvar is a company limited by shares that is incorporated and domiciled in Australia. Ansvar Insurance Limited and its dormant subsidiaries, Ansvar Insurance Services Pty Limited and Ansvar Risk Management Services Pty Limited, form the consolidated Group (the Group). The Group's principal activities in the financial year consisted of the provision of general insurance products to its customers in its core segments of faith, care, property owners (including heritage), education and community. It also continued to provide claims run-off services to ACS (NZ) Limited, its former subsidiary domiciled in New Zealand, under a management services agreement.

The Group is a wholly owned subsidiary of Ecclesiastical Insurance Office Plc, incorporated and domiciled in the United Kingdom. Ecclesiastical Insurance Office Plc forms part of the Benefact Group, with the ultimate holding company as Benefact Trust Limited (previously AllChurches Trust Limited), incorporated and domiciled in the United Kingdom. Ecclesiastical Insurance Office and the Group form part of Benefact Group's insurance operations to its core segments, with operations in the United Kingdom, Ireland, Australia and Canada. The Benefact Group also has operations in insurance broking and investment management segments.

Ansvar continues to be ultimately owned by a charity and provided further grants of $250K (2022: $250K) during the financial year through its Community Education Programme

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Directors' Report

Review of operations
In 2023, Ansvar generated a profit before income taxation of $1,000K (2022: restated profit of $3,052K). During the year, Ansvar generated an insurance service loss of $3,896K (2022: restated profit of $3,727K), due primarily to unfavourable movements in the prior year to the casualty insurance contract liabilities, offset by a favourable net investment result of $14,855K (2022: restated loss of $9,986K). Ansvar's net insurance financial result loss of $17,027K (2022: restated profit of $12,160K) is primarily due to unfavourable movements in discount rates and interest accreted on insurance contracts issued.

At 31 December 2023, Ansvar's unaudited Prescribed Capital Amount Coverage Ratio was 2.18 (2022: 2.17) which was within the target range of 1.75-2.25 approved by the Board. In March 2023, Ansvar's financial strength rating from its rating agency, A.M. Best, was reaffirmed as Excellent/A- (2022: Excellent/A-).

Ansvar employed 162 full time equivalent staff at 31 December 2023 (2022: 147).

Changes in state of affairs
During the financial year there were no significant changes in the state of affairs of the Group.

Subsequent events
There has not been any matter or circumstance that has occurred between the balance sheet date and the date of this report that has significantly affected, or may significantly affect, the Group's and the Company's operations in future financial years, the results of those operations or the Group's and the Company's state of affairs in future financial years.

Future developments
Disclosure of information with regard to likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Directors' meetings
The following table sets out the number of Board and Board Committee meetings during the financial year each Director was eligible to attend as members and the number of meetings attended by each Director including in an observer capacity.

Directors	Board		Audit Committee		Nominations and Remuneration Committee		Risk and Compliance Committee		Strategic Review Committee		Technology Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Patricia Kelly	10	10	6	6	5	5	4	4	4	4	5	5
Mark Bennett	10	10	-	6	-	-	-	4	4	3	-	-
Michael Grantham	10	9	6	5	5	4	4	3	-	3	5	5
Warren Hutcheon	10	10	-	6	-	5	-	4	4	4	5	5
David Lambert	10	10	6	6	5	5	4	4	4	4	-	5
Helen Thornton	10	10	6	6	5	5	4	4	-	4	-	4
S. Jacinta Whyte	10	10	-	6	5	5	-	4	4	4	-	-

Directors' and officers' insurance
In accordance with Section 11 of the Company's Constitution, the Company provides an indemnity to officers of the Company. This includes every person that is or has been a Director, alternate Director, executive officer or officer of the Company or related corporate bodies. During the financial year the Company paid a premium in respect of a contract insuring the abovementioned officers of the Company against a liability incurred as such a Director, Company Secretary, executive officer or corporate body to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits the disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during the financial year and until the date of this reported, indemnified or agreed to indemnify an officer or auditor of the Company or any related corporate body against a liability incurred as such officer or auditor.

Environmental regulations
The operations of the Company are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known breaches of any environmental requirements applicable to the Company.

Directors' Report

Auditor's Independence Declaration
The Auditor's Independence Declaration is included on page 6 of the Annual Report.

Rounding
The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and accordingly all amounts in the Directors' Report and the annual financial statements are rounded to the nearest thousand Dollars unless otherwise indicated.

The Directors' Report is signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors:

Patricia Kelly
…………………………………………………
P M Kelly
Chairperson

H Thornton
…………………………………………………
H Thornton
Director

Melbourne
29 February 2024

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Auditor's Independence Declaration

As lead auditor for the audit of Ansvar Insurance Limited 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.

This declaration is in respect of Ansvar Insurance Limited and the entities it controlled during the period.

R Balding
Partner
PricewaterhouseCoopers

Melbourne
29 February 2024

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Independent auditor's report

To the members of Ansvar Insurance Limited

Our opinion

In our opinion:

The accompanying financial report of Ansvar Insurance Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group'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 Group financial report comprises:

- the consolidated balance sheet as at 31 December 2023
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the notes to the consolidated 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

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

PricewaterhouseCoopers

R Balding
Partner

Melbourne
29 February 2024

Directors' Declaration

In the opinion of the Directors of Ansvar Insurance Limited:

- The consolidated financial statements and notes of Ansvar Insurance Limited for the financial year ended 31 December 2023 are in accordance with the *Corporations Act 2001* including:
  - Giving a true and fair view of the consolidated Group's financial position as at 31 December 2023 and of its performance for the year ended on that date; and
  - Complying with Australian Accounting Standards including Interpretations and the *Corporations Regulations 2001*.

- The consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and

- There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*:

………………………………………………	………………………………………………
P M Kelly	**H Thornton**
Chairperson	Director

Melbourne
29 February 2024

Consolidated Statement of Comprehensive Income
For the financial year ended 31 December 2023

	Note	Company and Consolidated 2023 $'000	2022 (Restated) $'000
Insurance revenue	3.4.1	178,180	176,109
Insurance service expenses	3.4.1	(136,208)	(200,268)
Insurance service result from insurance contracts issued		**41,972**	**(24,159)**
Allocation of reinsurance expense paid	3.4.1	(87,538)	(87,681)
Amounts recovered from reinsurance	3.4.1	41,670	115,567
Net income/(expenses) from reinsurance contracts held		**(45,868)**	**27,886**
Insurance service result		**(3,896)**	**3,727**
Interest revenue from financial instruments not measured at FVTPL	4.4	1,005	602
Net gain/(loss) from financial instruments at FVTPL	4.4	14,184	(10,273)
Investment expenses	4.4	(334)	(315)
Net investment income		**14,855**	**(9,986)**
Finance income/(expenses) from insurance contracts issued	4.4	(17,072)	20,237
Finance income/(expenses) from reinsurance contracts held	4.4	9,896	(8,077)
Net insurance financial result		**(7,176)**	**12,160**
Other income	15	2,016	808
Other operating expenses	6	(4,094)	(3,238)
Other finance costs		(705)	(419)
Profit/(loss) before income taxation		**1,000**	**3,052**
Income taxation (expense)/benefit	9	(36)	(1,188)
Profit/(loss) after income taxation		**964**	**1,864**
Other comprehensive income		-	-
Total comprehensive income		**964**	**1,864**

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.
The Group adopted AASB 17 *Insurance Contracts* and AASB 9 *Financial Instruments* from 1 January 2023 and has restated the comparative period. See details of this adoption within Note 3.2.2.

Consolidated Balance Sheet
As at 31 December 2023

		Company and Consolidated		
	Note	31 Dec 2023 $'000	31 Dec 2022 Restated $'000	1 Jan 2022 Restated $'000
Assets				
Cash and cash equivalents	4.3	36,591	46,138	76,008
Financial assets	4.3	249,099	223,280	195,500
Other receivables	8	17,619	18,607	8,494
Current tax assets		842	-	-
Reinsurance contract assets	3.5.2	138,558	169,918	141,122
Property, plant & equipment	10	2,008	300	216
Lease right-of-use assets	11	2,874	586	1,098
Deferred tax asset	9	9,152	9,188	10,376
Total assets		**456,743**	**468,017**	**432,814**
Liabilities				
Other payables and liabilities	12	35,108	38,302	34,483
Insurance contract liabilities	3.5.1	307,881	320,495	299,475
Provisions	13	3,668	3,469	3,410
Lease liabilities	11	3,992	621	1,180
Total liabilities		**350,649**	**362,887**	**338,548**
Net assets		**106,094**	**105,130**	**94,266**
Equity				
Share capital	14	46,300	46,300	37,300
Retained earnings		59,794	58,830	56,966
Total equity		**106,094**	**105,130**	**94,266**

The Consolidated Balance Sheet should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.
The Group adopted AASB 17 *Insurance Contracts* and AASB 9 *Financial Instruments* from 1 January 2023 and has restated the comparative period. See details of this adoption within Note 3.2.2.

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

		Company and Consolidated		
	Note	Fully paid ordinary shares $'000	Retained earnings $'000	Total $'000
Balance as at 31 December 2021 (Reported)		37,300	55,582	92,882
Adjustment on initial application of AASB17	3.2.2	-	1,384	1,384
As at 1 January 2022 (as restated)		**37,300**	**56,966**	**94,266**
Comprehensive result for the year		-	1,864	1,864
Ordinary share capital issued	14	9,000	-	9,000
Balance as at 31 December 2022 (as restated)		**46,300**	**58,830**	**105,130**
Comprehensive result for the year		-	964	964
Ordinary share capital issued	14	-	-	-
Balance at 31 December 2023		**46,300**	**59,794**	**106,094**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

Consolidated Cash Flow Statement
For the financial year ended 31 December 2023

	Note	Company and Consolidated 2023 $'000	2022 (restated) $'000
Cash flows from operating activities			
Insurance premiums received	3.5.1	177,129	164,776
Reinsurance recoveries received	3.5.2	69,991	78,928
Other income		1,007	747
Reinsurance premiums paid	3.5.2	(74,603)	(87,915)
Claims and other directly attributable expenses paid	3.5.1	(125,224)	(112,535)
Other operating expenses paid		(967)	(5,064)
Acquisition and attributable expenses paid	3.5.1	(39,619)	(35,143)
Interest paid		(572)	(407)
Finance costs on leases		(133)	(12)
Income taxation instalments paid		(842)	-
Withholding taxation paid		(2,419)	(3,350)
Net cash flow from operating activities	20	**3,748**	**25**
Cash flows from investing activities			
Acquisition of investments		(58,829)	(70,960)
Proceeds on disposal of investments		40,133	28,081
Acquisition of property, plant & equipment	10	(1,897)	(243)
Interest received		8,066	5,429
Investment management fees		(334)	(316)
Net cash flow from investing activities		**(12,861)**	**(38,009)**
Cash flows from financing activities			
Proceeds on issue of ordinary share capital	14	-	9,000
Repayment of principal on leases		(434)	(886)
Net cash flow from financing activities		**(434)**	**8,114**
Net (decrease)/increase in cash and cash equivalents		(9,547)	(29,870)
Cash and cash equivalents at beginning of year		**46,138**	**76,008**
Cash and cash equivalents at end of year	4.3	**36,591**	**46,138**

The Consolidated Cash Flow Statement should be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 1 Corporate information

The consolidated financial statements of the Group for the financial year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 29 February 2024.

Ansvar is a company limited by shares that is incorporated and domiciled in Australia. Ansvar's immediate parent is Ecclesiastical Insurance Office Plc which owns 100% of the ordinary shares. Ecclesiastical Insurance Office Plc is a wholly owned subsidiary of Benefact Trust Limited (previously AllChurches Trust Limited), which is the ultimate parent. The nature of the operations and principal activities of the Group are outlined in the Directors' Report.

Note 2 Material accounting policy information - Basis of preparation

The consolidated financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The consolidated financial report also complies with Australian equivalents to International Financial Reporting Standards as issued by the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group and the Company comply with International Financial Reporting Standards.

The financial statements comprise the consolidated financial statements of the Group and the Company. For the purposes of preparing the consolidated financial statements, the Group and Company are for-profit entities.

The consolidated financial report has been prepared on a historical cost basis, except for investments which have been measured at fair value (refer to Note 4) and insurance contract liabilities and reinsurance contract assets which have been measured as outlined in Note 3.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Assets and liabilities are presented in a decreasing order of liquidity on the face of the Consolidated Balance Sheet. Information with regard to the current and non-current amounts of assets and liabilities is included in the relevant note to the financial statements.

All amounts are presented in Australian Dollars. The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and accordingly all amounts in the Directors' Report, the annual financial statements and Notes to the annual financial statements are rounded to the nearest thousand Dollars unless otherwise indicated.

Note 3 Insurance operations
Note 3.1 Summary of material accounting policies for insurance contracts

The Group has applied Australian Accounting Standards Board (AASB) 17 *Insurance Contracts* (AASB 17), including consequential amendments to other standards, to account for insurance contracts issued and reinsurance contracts held.

Note 3.1.1 Summary of measurement approaches

The Group applies the Premium Allocation Approach (PAA) when contracts meet the eligibility criteria to simplify the measurement of insurance contracts issued and reinsurance contracts held. When measuring the liability for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under AASB 4 *Insurance Contracts* and AASB 1023 *General Insurance Contracts*. When measuring the liability for incurred claims, the Group discounts the expected value of future cash flows related to claims and other insurance expenses and includes an explicit risk adjustment for non-financial risk. Note that all contracts meet the eligibility criteria for PAA and hence, no insurance or reinsurance contracts have been measured using the General Measurement Method (GMM).

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

Note 3 **Insurance operations (continued)**

Note 3.1.1 *Summary of measurement approaches (continued)*

Definition and classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

The Group issues general insurance products to both individuals and businesses in its core segments of faith, care, property owners (including heritage), education and community.

The Group does not offer any products with direct or discretionary participation features.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers insurance risk from the insured portion of the underlying insurance contracts. The transferred insurance risk is significant where substantially all the insurance risk is passed to the reinsurer, even if it does not expose the reinsurer to the possibility of significant loss.
All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued and reinsurance contracts held, unless specifically stated otherwise.

Note 3.1.2 *Unit of account*

The Group manages insurance contracts issued by line of business, where each line of business includes contracts that are subject to similar risks and are managed together. All insurance contracts within a line of business represent a portfolio of contracts. Where sets of contracts within a portfolio have materially dissimilar risks, further disaggregation may be required. The concept of managed together is reflected through management oversight of the Group’s business, which is also reflective of the nature of policy types and claims benefits of underlying products to which the reinsurance contracts held apply.

The Group assumes that no such contracts are onerous at initial recognition, unless the facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

The assessment of which risks are similar and how contracts are managed requires the exercise of judgement and also takes into consideration information provided to key management decision makers and regulators. The following portfolios have been determined in considering the level of aggregation for insurance contracts issued and reinsurance contracts held:

- Insurance contracts issued: Short-Tail; Casualty
- Reinsurance contracts held: Short-Tail; Casualty; Physical and Sexual Abuse (PSA)

Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (ii) a group of remaining contracts.

Portfolios of reinsurance contracts held are divided applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Group tracks internal management information reflecting historical experiences of such contracts’ performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising.

Note 3 Insurance operations (continued)

Note 3.1.3 Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:
- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognised at the later of:
- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

The group does not recognise a group of quota share reinsurance contracts held until it has recognised at least one of the underlying insurance contracts.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Note 3.1.4 Accounting for contract modification and derecognition

An insurance contract is derecognised when it is:
- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified and certain additional criteria are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties (such as a change in terms or coverage) or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the fulfilment cash flows, unless the conditions for the derecognition of the original contract are met. The group derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

a. if the modified terms had been included at contract inception and the Group would have concluded that the modified contract:
   i. is not in scope of AASB 17;
   ii. results in different separable components;
   iii. results in a different contract boundary; or
   iv. belongs to a different group of contracts; or
b. the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When an insurance contract accounted for under the PAA is derecognised, adjustments to the fulfilment cash flows to remove relating rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. if the contract is extinguished, any net difference between the derecognised part of the liability for remaining coverage (LRC) of the original contract and any other cash flows arising from extinguishment;
b. if the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party;
c. if the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the liability for remaining coverage and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms and the new contract at the date of the contract modification, less any additional premium charged for the modification.

Note 3 Insurance operations (continued)

Note 3.1.5 Measurement

3.1.5.1 Fulfilment cash flows

Fulfilment cash flows within contract boundary

The fulfilment cash flows are the current estimates of future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and payout for claims, benefits and expenses, adjusted to reflect the timing and uncertainty of those amounts.

The estimates of future cash flows:

a. are based on a probability weighted mean of the full range of possible outcomes;
b. are determined from the perspective of the Group, provided the estimates are consistent with observable market prices for market variables; and
c. reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the liability for incurred claims.

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

The Group estimates certain fulfilment cash flows at the portfolio level or higher and then allocates such estimates to groups of contracts.
The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

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

a. the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
b. both of the following criteria are satisfied:
    i. the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
    ii. the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

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

The *Insurance Contracts Act 1984* allows the Group the practical ability to cancel insurance contracts issued, typically when the policyholder fails to comply with the provisions of the insurance contract. The policyholder may cancel the contract at any time. The contract terms are considered by the Group in determining the contract boundary.

Note 3 Insurance operations (continued)

Note 3.1.5 Measurement (continued)

3.1.5.1 Fulfilment cash flows (continued)

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

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time. The Group reassesses the contract boundary for all changes which directly impact the Group's substantive rights and obligations.

Insurance acquisition costs

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

a. costs directly attributable to individual contracts and groups of contracts; and
b. costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

Before a group of insurance contracts is recognised, the Group could pay directly attributable acquisition costs to originate them. When such prepaid costs are refundable in case of insurance contracts termination, they are recorded as a prepaid insurance acquisition cash flows asset within other assets and allocated to the carrying amount of a group of insurance contracts when the insurance contracts are subsequently recognised.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

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

3.1.5.2 Initial and subsequent measurement – Groups of contracts measured under the PAA

The Group uses the PAA to simplify the measurement of groups of insurance and reinsurance contracts when the following criteria are met at inception:

- Insurance Contracts: the coverage period of each contract in the group is one year or less, or where the coverage period of a group of contracts is longer than one year, the Group reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts does not materially differ from the measurement that would be recognised by applying the General Measurement Model (GMM). In assessing materiality, the Group also considered qualitative factors as part of the measurement model determination.

- Risk attaching and loss occurring reinsurance contracts held: the Group reasonably expects that the resulting measurement of the asset for remaining coverage under the PAA would not differ materially from the result of applying the GMM.

Insurance Contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured as the premiums received on initial recognition less any insurance acquisition cash flows allocated to the group at that date.

Note 3 Insurance operations (continued)

Note 3.1.5 Measurement (continued)

3.1.5.2 Initial and subsequent measurement – Groups of contracts measured under the PAA (continued)

Subsequently, the carrying amount of the liability for remaining coverage is:

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

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:
a. the liability for remaining coverage; and
b. the liability for incurred claims, comprising the fulfilment cash flows related to past service allocated to the group at the reporting date.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss within insurance service expenses in the statement of comprehensive income and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flow that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. Measurement of the loss component arising from the identification of onerous contracts is based on the underwriting year calculation for the annual cohort which is indicated to be loss making.

The Group recognises the liability for incurred claims of a group of insurance contracts at the discounted amount of the fulfilment cash flows relating to claims incurred but not yet settled and other expenses.

The change in the liability for incurred claims as a result of changes in discount rates is recognised within insurance finance income and expenses in the statement of comprehensive income.

The Group will recognise the loss arising from onerous contracts as part of the insurance service expense in the statement of comprehensive income. If there are no changes in expectations in subsequent periods, the release of the loss component is recognised as an adjustment to insurance service expenses in the statement of comprehensive income in line with the pattern of earned premium.

Accordingly, by the end of the coverage period of the group of contracts, the loss component will be zero.

For contracts measured under the PAA, the liability for incurred claims is measured as the future cash flows, adjusted for the time value of money where fulfilment cash flows for insurance contracts are expected to have a settlement period of over one year.

Reinsurance Contracts Held

The Group applies the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts. On initial recognition, the measurement of the reinsurance contracts held includes all expected cash flows within the boundary of the reinsurance contract, including those cash flows related to future underlying insurance contracts that have not yet been issued by the Group, but are expected to be issued during the coverage period of the reinsurance contracts held. The estimates of the present value of future cash flows of the reinsurance contracts held will reflect the risk of non-performance by the reinsurer and the risk adjustment for reinsurance contracts held and is measured and recognised separately from insurance contracts issued.

Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

Note 3 Insurance operations (continued)

Note 3.1.5 Measurement (continued)

3.1.5.2 Initial and subsequent measurement – Groups of contracts measured under the PAA (continued)

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:
a. increased for ceding premiums paid in the period; and
b. decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:
a. the remaining coverage; and
b. the incurred claims, comprising the fulfilment cash flows related to past service allocated to the group at the reporting date.

The Group does not adjust the liability for remaining coverage for insurance contracts issued and the remaining coverage for reinsurance contracts held at initial recognition for the effect of the time value of money where insurance premiums are due within one year or less.

Note 3.1.6 Amounts recognised in comprehensive income

3.1.6.1 Insurance service result from insurance contracts issued

Insurance revenue

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

For groups of insurance contracts measured under the PAA, the Group recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

Insurance service expenses

Insurance service expenses include the following:
a. incurred claims and benefits excluding investment components;
b. other incurred directly attributable insurance service expenses;
c. amortisation of insurance acquisition cash flows;
d. changes that relate to past service (i.e. changes in the fulfilment cash flows relating to the liability for incurred claims); and
e. changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of comprehensive income.

3.1.6.2 Net income/(expenses) from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income/(expenses) from reinsurance contracts held, comprising the following amounts:
a. reinsurance expenses;
b. incurred claims recovery;
c. other incurred directly attributable insurance service expenses;
d. effect of changes in risk of reinsurer non-performance;
e. changes relating to past service (i.e. adjustments to incurred claims)

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Group expects to pay in exchange for those services.

Note 3 Insurance operations (continued)

Note 3.1.6 Amounts recognised in comprehensive income (continued)

3.1.6.2 Net income/(expenses) from reinsurance contracts held (continued)

For groups of reinsurance contracts held measured under the PAA, the Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

3.1.6.3 Insurance finance income or expenses

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

a. the effect of the time value of money and changes in the time value of money; and
b. the effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

a. interest accreted on the liability for incurred claims; and
b. the effect of interest rates and other financial assumptions.

The Group disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses. The Group includes all insurance finance income or expenses for the period in comprehensive income.

Note 3.1.7 Concentrations of risk

The core business of the Group is general insurance, with principal classes of business written being property (short-tail) and liability and financial lines (casualty). The group also writes motor & personal accident policies, however, due to the small size of both of these classes, these have been included within the property (short-tail) & liability classes respectively for disclosure purposes.

Property (short-tail) class – Provides coverage for loss and damage to buildings and contents as a result of insured events. Cover can also include protection against business interruption, theft or burglary, money, glass, mechanical and electronic equipment breakdown and general property.

Liability (casualty) class – includes the following risks:

- General Public & Products Liability – provides protection against claims resulting from personal injury or property damage to third parties.
- Professional Indemnity – protects against claims for negligent professional services or advice.
- Management Liability – Considers operational risks and exposures, such as breaches of director's duties, statutory breach of duty, occupational health & safety prosecutions and inquiries, unfair/wrongful dismissal, discrimination, harassment, breach of intellectual property, employee theft and tax investigation costs.

The Group considers concentrations of risk in line with its Board-approved risk appetite statement, which governs the extent to which the Group exposes itself to certain risks. The Group limits its exposure based on the type of risk insured, as well as setting maximum retention for single and aggregate risks. Additionally, within the property class, the Group limits its exposure within geographic locations and to climate change risks. The Group achieves this strategy through active management of its portfolio of insurance contracts and through use of reinsurance contracts.

Note 3.2 Significant judgements and estimates in applying AASB 17

Note 3.2.1 Judgements

Areas of potential judgement	Applicable to the Group
Definition and classification – whether contracts are in the scope of AASB 17 and, for contracts determined to be in scope of AASB 17, what measurement model is applicable:	
Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk	The Group: • only issues insurance contracts that accept significant insurance risk • only holds reinsurance contracts that transfer significant insurance risk Refer to Note 3.1.1. The Group also assesses its insurance contracts issued and reinsurance contracts held to determine whether they contain distinct components which must be accounted for under another AASB instead of AASB 17. Currently, the Group's products do not include any distinct components that require separation.
For insurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment as required by AASB 17(53)(a), (54), (69)(a), (70) and may involve significant judgement.	Applicable to the Group as it issues some insurance contracts with a coverage period of longer than one year (e.g. where extension of terms is requested by the policyholder and granted). The Group reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under PAA does not differ materially from the measurement that would be recognised by applying the General Measurement Model (GMM). This is tested annually by the Group in completing PAA eligibility calculations. In assessing materiality, the Group has also considered qualitative factors as part of the measurement model determination.
Unit of accounting – Insurance contracts aggregation	
Judgements involved in the identification of portfolios of contracts as required by AASB 17(14) (i.e. having similar risks and being managed together.	Determining whether it is necessary to treat a set or series of insurance contracts as a single contract or multiple contracts involves significant judgement and careful consideration. In assessing whether a set or series of insurance contracts achieve, or are designed to achieve, an overall commercial effect, the Group considers the pricing mechanism used. For contracts covering a single insurance type, the contract itself would form the unit of accounting, while bundled contracts would be split amongst the insurance types with each treated as a separate unit of account. Overriding the 'single contract' unit of account presumption involves significant judgement and is not an accounting policy choice. In determining whether a legal contract does not reflect its substance such that separate insurance elements are required to be recognised, the Group considers the interdependency between the different risks covered, the ability of all components to lapse independently of each other and the ability to price and sell the components separately.

Note 3 Insurance operations (continued)

Note 3.2.1 Judgements (continued)

Areas of potential judgement	Applicable to the Group
Unit of accounting – Insurance contracts aggregation (continued)	
Aggregation of insurance contracts issued on initial recognition into groups of contracts with no significant possibility of becoming onerous and groups of other contracts. Similar grouping assessment for reinsurance contracts held. For contracts measured under PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of potential judgement.	Refer to Note 3.1.2 for a description of judgements applied by the Group.
For insurance contracts measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate any changes in the onerous group's profitability and whether any loss component remeasurement is required.	This is an area of judgement for the Group. In FY23, the Group identified facts and circumstances that indicate that groups of contracts measured under PAA had become onerous. A loss component has been recognised within the liability for remaining coverage based on the Group's unit of account. Refer to Note 3.5.1 for further details.
The determination of whether laws or regulations constrain the Group's practical ability to set a different price or level of benefits for policyholders with different risk profiles so the Group may include such contracts in the same group, disregarding the aggregation requirements set in AASB 17(14)-(19), is an area of judgement.	The regulatory environment in which the Group operates does not impose any price or other constraints. Thus, no judgement has been applied by the Group.
Recognition and derecognition – Accounting for contract modification and derecognition	
When contracts are modified, judgement might be applied to establish if the modification meets the criteria for derecognition. In particular, after the modification, judgement is applied to determine whether: a. significant insurance risk still exists; b. there are elements that are to be distinct from the contract; c. contract boundaries have changed; d. the contract would have to be included in a different group subject to aggregation requirements; and the contract no longer meets the requirements of the measurement model.	The Group applies its judgement to assess whether amendments to a contract result in a modification which meets the criteria for derecognition. If the derecognition criteria is met, the Group derecognises the original contract and recognises the modified contract as a new contract. There were no instances where this occurred in 2023.

Note 3 Insurance operations (continued)

Note 3.2.1 Judgements (continued)

Areas of potential judgement	Applicable to the Group
Measurement – Fulfilment cash flows	
The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract in the scope of AASB 17. Judgements might be involved to determine when the Group is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums and when premiums reflect risks beyond the coverage period. Where such features as options and guarantees are included in the insurance contracts, judgement may be required to assess the entity's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.	Applicable to the Group as the assessment of the contract boundary requires judgement and consideration of the Group's substantive rights and obligations under the contract and in terms of legislative requirements and business practices. Cash flows are considered to be outside of the contract boundary if the Group has the practical ability to reprice existing contracts to reflect their reassessed risks and if the contract's pricing for coverage up to the date of reassessment consider only the risks until that next reassessment date. The Group applies its judgement in assessing whether it has the practical ability to set a price that fully reflects all the risks in the contract or portfolio. In doing so, the Group disregards restrictions that have no commercial substance. The Group also applies judgement to decide whether commercial considerations in setting the contract boundary are relevant.
An entity may use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts.	The Group performs regular reviews of expenses and uses judgement to determine the extent to which fixed and variable costs are directly attributable to fulfilling insurance contracts. Refer to Note 3.1.5.1.

Note 3.2.2 Methods used and judgements applied in determining AASB 17 transition amounts

The Group has adopted a full retrospective approach to adopting AASB 17. This transition approach has been adopted as the Group has elected to use the PAA for measuring groups of insurance contracts. The Group has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable and, hence, the only available option for insurance contracts issued by the Group.

Accordingly, the Group has recognised and measured each group of insurance contracts in this category as if AASB 17 had always applied; derecognised any existing balances that would not exist had AASB 17 always applied; and recognised any resulting net difference in equity.

Note 3 Insurance operations (continued)

Note 3.2.3 Estimates and assumptions

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results.

This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below together with information about the basis of calculation for each affected line item in the consolidated financial statements.

In applying AASB 17 measurement requirements, the following inputs were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability weighted mean for a full range of scenarios.

For sensitivities with regard to the assumptions made that have the most significant impact on measurement under AASB 17, refer to Note 3.2.4.

3.2.3.1 Discount rates

The liability for incurred claims is calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. The method of determining the discount rates applied is based on the bottom-up approach. The premise of this approach is that the Group estimates the discount rate as a point on a liquid risk-free rate curve for the same currency and duration as the cash flows of insurance contracts with a premium for the illiquidity of the insurance contracts to be explicitly added to the risk-free rate.

As a result, cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The Group generally determines risk-free rates by reference to the yields of the Australian Government Bonds which are in the currency of the insurance contract liabilities. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. The illiquidity premium is based on a reference portfolio of assets.

The yield curves described above are based on nominal discount rates which incorporate the impact of general inflation. This delivers consistency between the basis of determining expected cash flows, which include the effect of inflation, and the discount rates applied to the respective cash flows.

Product	**2023**					**2022**				
	1 year	**5 years**	**10 years**	**20 years**	**30 years**	**1 year**	**5 years**	**10 years**	**20 years**	**30 years**
Short-tail	4.13%	3.65%	4.02%	-	-	3.26%	3.69%	4.13%	-	-
Casualty	4.13%	3.65%	4.02%	4.43%	4.41%	3.26%	3.69%	4.13%	4.54%	4.44%

3.2.3.2 Estimates of future cash flows to fulfil insurance contracts

The Group applies the PAA to simplify the measurement of insurance contracts and tests the eligibility of its insurance contracts annually. When measuring the liability for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under AASB 4 and AASB 1023. When measuring the liability for incurred claims, the Group discounts the expected value of future cash flows related to claims and other insurance expenses and includes an explicit risk adjustment for non-financial risk.

Included in the measurement of each group of contracts in the scope of AASB 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Group uses information about past events, current conditions and forecasts of future conditions. The Group's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenario representing the probability weighted mean of a range of scenarios.

Where estimates of expense-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic and rational basis and are consistently applied to all costs that have similar characteristics. Acquisition cash flows are typically allocated to groups of contracts based on headcount.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 3 Insurance operations (continued)

Note 3.2.3 Estimates and assumptions (continued)

3.2.3.2 Estimates of future cash flows to fulfil insurance contracts (continued)

Other costs which are not directly attributable to insurance services are recognised in the statement of comprehensive income as they are incurred.

Uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims-handling expenses growth.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

3.2.3.3 Expenses

The Group applies judgement in assessing whether cash flows are directly attributable to a specific portfolio of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to either the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. When estimating fulfilment cash flows, the Group also allocates fixed and variable overheads directly attributable to the fulfilment of insurance contracts.

The Group estimates future expenses relating to fulfilment of contracts in the scope of AASB 17 using a percentage of the average annual gross claim payments, taking account of any movements in future cash flows due to inflation. For property claims, the short-tail claims handling expense rate is only applied to non-catastrophe payments, as catastrophe events, whilst adding volatility to the gross claims costs, don’t require additional claims resources to manage.

The estimate of future fulfilment cash flows is adjusted to the Group’s own experience on an annual basis and is considered to be a non-financial risk. The Group has not changed its assumptions or methods used to project expenses in 2023.

Possible increases in expense assumptions increase estimates of future cash and thus increase the liability for incurred claims measured under PAA. For sensitivity analysis, refer to Note 3.2.4.

3.2.3.4 Methods used to measure insurance liabilities relating to claims

The Group estimates insurance liabilities in relation to claims incurred separately for Short-Tail and Casualty contracts. Estimates are performed on an accident year basis with further allocation to annual cohorts in proportion to the gross or reinsurance premiums earned by the respective cohort of contracts in a given accident year.

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for claims incurred. In certain instances, different techniques or a combination of techniques have been selected for individual accident years or groups of accident years within the same type of contracts, including the following:

- Historical trends in the development and incidence of claims reported, number of claims finalised, claim payments and reported incurred costs.
- Exposure details, including policy counts, sums insured, earned premium and policy limits.
- Claim frequencies and average claim sizes.
- The legislative framework, legal and court environments and social and economic factors that may impact upon each class of insurance.
- Historical and likely future trends in standard inflationary pressures relating to commodity prices and wages.
- Historical and likely future trends of inflationary pressures in addition to price or wage inflation, termed superimposed inflation.
- Historical and likely future trends of expenses associated with managing claims to finalisation.
- Reinsurance recoveries available under contracts entered into by Ansvar.
- Historical and likely future trends of recoveries from source such as subrogation and third party actions.
- Insurer specific, relevant industry data and more general economic data is utilised in the estimation process.

Note 3 Insurance operations (continued)

3.2.3.4 Methods used to measure insurance liabilities relating to claims (continued)

Projected future claim payments and associated claims handling costs are discounted to a present value as required using appropriate risk-free discount rates. A projection of future claims payments, both gross and net of reinsurance and other recoveries is undertaken.

This projection of the net central estimate is typically made without bias toward over or under estimation. As such, the resulting estimate is considered to be a net central estimate of the liability for incurred claims. Where possible and appropriate, multiple actuarial methods will be applied to project future claim payments. This assists in providing a greater understanding of the trends inherent in the past data. The projections obtained from various methods also assist in setting the range of possible outcomes.

The most appropriate method or blend of methods is selected taking into account the characteristics of the class of insurance and the extent of the development of each past policy year.

Large claims impacting on each relevant class of insurance are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

As an estimate of future outcomes, the net central estimate of the liability for incurred claims is subject to uncertainty. This uncertainty may consist of one or more of the following components:

- Modelling – the process of managing and finalising claims is a complex one. Actuarial models represent a simplification of this complex process giving rise to the possibility that the actual future outcomes may depart from the modelled outcome.
- Assumption selection – even with a perfect model, assumptions about future claim payment experience must be drawn from limited past data and are subject to sampling error.
- Evolution of assumptions and future events – some assumptions will be subject to changes over time due to external sources, such as changes to the legislative environment and the economic environment, or internal sources such as claim management practices.
- Random variation – there is a certain amount of residual randomness that drives differences between actual and expected outcomes.

Uncertainty from the above sources is examined for each class of insurance and expressed as a volatility of the net central estimate. The volatility of each class is derived after consideration of stochastic modelling and benchmarking to industry analysis. The long tail Liability classes have the highest volatility as the longer average time to settle provides a greater opportunity for sources of uncertainty to emerge. Short tail classes such as Property and Motor have lower levels of volatility.

As the volatility for each class of insurance is partially correlated with other classes, when combined across the entire Group, the overall volatility will be less than the sum of the individual classes. With an estimate of the overall volatility for general insurance business, a range of risk margins associated with a probability of the total net claims liabilities proving adequate may be produced.

The assumptions with regard to uncertainty for each class of insurance are applied to the gross and net central estimates and the results are aggregated, allowing for diversification, in order to arrive at an overall net claims liability that is intended to have a 75% probability of sufficiency (2022: 75%).

The Group has not changed the methods used to estimate incurred claims in FY23.

Refer to Note 3.2.4 for sensitivity of the insurance liabilities to assumptions used.

3.2.3.5 Methods used to measure reinsurance assets relating to claims

Assets arising from reinsurance contracts are also calculated using the above method. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Credit risk adjustment for reinsurance contracts is recognised for any expected reinsurer defaults.

Note 3 **Insurance operations (continued)**

3.2.3.6 Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates.

The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks, such as lapse risk and expense risk. Risks that are not considered to be related to the fulfilment of insurance obligations will be excluded in determining the risk adjustment for non-financial risks. The Group calculates the risk adjustment separately for earned (liability for incurred claims) and unearned (liability for remaining coverage) business, given the risk profiles differ and change significantly in nature and diversification type at the point at which business is earned.

Risk adjustment for liability for incurred claims

Reflecting the compensation required, the Group has estimated the risk adjustment using a confidence level at the 75th percentile, which is consistent with the Board risk appetite for managing reserving risk. Risk adjustments will be primarily assessed on a diversified net rather than gross basis similar to how reserving risk appetite is managed. To determine the risk adjustments for non-financial risk for reinsurance contracts, the Group applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

Risk adjustment for liability for remaining coverage

The risk adjustment for the liability for remaining coverage business will be set with reference to the target net combined ratio for pricing purposes. Risk adjustments will be primarily assessed on a net rather than gross basis similar to how the business is priced.

The resulting amount of the calculated risk adjustment corresponds to the confidence level of 75% (2022: 75%).

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in FY23.

Note 3.2.4 Sensitivity analysis to underwriting risk variables

The following tables present information on how reasonably possible changes in assumptions made by the Group with regard to underwriting risk variables impact insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held. The Group's aim is to reserve to at least the 75th percentile confidence level. These contracts are measured under the PAA and, thus, only the liability for incurred claims component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

The analysis below is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the Group in the methods and assumptions used in preparing the above analysis.

		2023		**2022**	
	Movement in variable	**Gross**	**Net**	**Gross**	**Net**
Present value of future cash flows	+10.0%	32,056	20,763	33,702	18,707
	-10.0%	(32,056)	(20,763)	(33,702)	(18,707)
Inflation rate	+0.5%	4,542	3,224	4,385	2,899
	-0.5%	(4,542)	(3,224)	(4,385)	(2,899)
Discount rate	+0.5%	(4,542)	(3,224)	(4,385)	(2,899)
	-0.5%	4,542	3,224	4,385	2,899
Risk adjustment	+1.0%	2,381	1,527	2,680	1,310
	-1.0%	(2,381)	(1,527)	(2,680)	(1,310)

Further sensitivity analysis over financial risk variables, such as interest rates, is provided in Note 7(c)(ii).

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 3 Insurance operations (continued)

Note 3.3 Composition of the balance sheet

An analysis of the amounts presented on the consolidated balance sheet for insurance contracts is included in tables 3.5.1 and 3.5.2, including the presentation of current and non-current portions of the balances. For credit risk disclosures relating to insurance and reinsurance contract assets, refer to Note 4.6.4.

Note 3.4 Insurance revenue and expenses

Note 3.4.1 Insurance revenue and insurance service result

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held for 2023 and 2022 is included in the following tables. Additional information on amounts recognised in profit or loss is included in the insurance contract balances reconciliations below in Notes 3.5.1 & 3.5.2.

	2023	2022
Insurance revenue	**178,180**	**176,109**
Insurance service expenses		
Incurred claims and other directly attributable expenses	(115,427)	(176,455)
Losses on onerous contracts and reversal of those losses	(456)	(1,860)
Insurance acquisition cash flow amortisation	(20,325)	(21,953)
Total insurance service expenses	**(136,208)**	**(200,268)**
Net income/(expenses) from reinsurance contracts held		
Reinsurance expenses – contracts measured under the PAA	(87,538)	(87,681)
Losses on onerous contracts and reversal of those losses	(91)	1,674
Claims recovered	41,761	113,893
Total net income/(expenses) from reinsurance contracts held	**(45,868)**	**27,886**
Total insurance service result	**(3,896)**	**3,727**

N.B. Insurance revenue is amounts relating to contracts measured under the PAA.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 3 **Insurance operations (continued)**

Note 3.5 **Insurance contracts issued and reinsurance contracts held**

Note 3.5.1 *Reconciliation of the liability for remaining coverage and the liability for incurred claims*

	2023				
	LRC		LIC for contracts under the PAA		Total
	Excluding loss comp.	Loss comp.	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening insurance contract liabilities	23,790	4,572	263,369	28,764	320,495
Insurance revenue	(178,180)	-	-	-	(178,180)
Insurance service expense					
Incurred claims and other insurance service expenses	20,667	-	85,416	9,344	115,427
Losses on onerous contracts and reversal of those losses	-	456	-	-	456
Insurance acquisition cash flows amortisation	20,325	-	-	-	20,325
Insurance service expense	**40,992**	**456**	**85,416**	**9,344**	**136,208**
Insurance service result					
Finance expenses from insurance contracts issued	-	-	14,539	2,533	17,072
Total amounts recognised in comprehensive income	**(137,188)**	**456**	**99,955**	**11,877**	**(24,900)**
Cash flows					
Premiums received	177,129	-	-	-	177,129
Claims and other attributable expenses paid	-	-	(125,224)	-	(125,224)
Insurance acquisition cash flows	(39,619)	-	-	-	(39,619)
Total cash flows	**137,510**	**-**	**(125,224)**	**-**	**12,286**
Closing insurance contract liabilities	**24,112**	**5,028**	**238,100**	**40,641**	**307,881**

N.B. The LRC column includes amounts relating to insurance contracts measured under the PAA.

The current portion of insurance contract liabilities is $100,855K (2022: $112,967K).

	2022				
	LRC		LIC for contracts under the PAA		Total
	Excluding loss comp.	Loss comp.	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening insurance contract liabilities	31,008	2,712	240,904	24,851	299,475
Insurance revenue	(176,109)	-	-	-	(176,109)
Insurance service expense					
Incurred claims and other insurance service expenses	17,305	-	152,234	6,916	176,455
Losses on onerous contracts and reversal of those losses	-	1,860	-	-	1,860
Insurance acquisition cash flows amortisation	21,953	-	-	-	21,953
Insurance service expense	**39,258**	**1,860**	**152,234**	**6,916**	**200,268**
Insurance service result					
Finance expenses from insurance contracts issued	-	-	(17,234)	(3,003)	(20,237)
Total amounts recognised in comprehensive income	**(136,851)**	**1,860**	**135,000**	**3,913**	**3,922**
Cash flows					
Premiums received	164,776	-	-	-	164,776
Claims and other attributable expenses paid	-	-	(112,535)	-	(112,535)
Insurance acquisition cash flows	(35,143)	-	-	-	(35,143)
Total cash flows	**129,633**	**-**	**(112,535)**	**-**	**17,098**
Closing insurance contract liabilities	**23,790**	**4,572**	**263,369**	**28,764**	**320,495**

N.B. The LRC column includes amount relating to insurance contracts measured under the PAA.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 3 Insurance operations (continued)

Note 3.5.2 Reconciliation of the measurement components of reinsurance contracts held

2023

	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding Loss Component	Loss Component	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening reinsurance contract assets	22,089	4,115	128,746	14,968	169,918
Net income/(expense) from reinsurance contracts held					
Allocation of reinsurance premiums	(87,538)	-	-	-	(87,538)
Recoveries of incurred claims and other insurance service expenses		-	43,581	(1,820)	41,761
Losses on onerous contracts and reversal of those losses	-	(91)	-	-	(91)
Net income/(expense) from reinsurance contracts held	**(87,538)**	**(91)**	**43,581**	**(1,820)**	**(45,868)**
Effect of changes in the risk of reinsurers non-performance	-	-	117	-	117
Effect of changes in reinsurance contracts held	-	-	8,695	1,084	9,779
Finance income from reinsurance contracts held	**-**	**-**	**8,812**	**1,084**	**9,896**
Total amounts recognised in comprehensive income	**(87,538)**	**(91)**	**52,393**	**(736)**	**(35,972)**
Cash flows					
Premiums paid	74,603	-	-	-	74,603
Recoveries from reinsurance received	-	-	(69,991)	-	(69,991)
Total cash flows	**74,603**	**-**	**(69,991)**	**-**	**4,612**
Closing reinsurance contract assets	**9,154**	**4,024**	**111,148**	**14,232**	**138,558**

The current portion of reinsurance contracts held is $81,557K (2022: $86,874K).

2022

	Asset for remaining coverage		Asset for incurred claims		Total
	Excluding Loss Component	Loss Component	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening reinsurance contract assets	21,855	2,441	103,937	12,889	141,122
Net income/(expense) from reinsurance contracts held					
Allocation of reinsurance premiums	(87,681)	-	-	-	(87,681)
Recoveries of incurred claims and other insurance service expenses		-	110,926	2,967	113,893
Losses on onerous contracts and reversal of those losses	-	1,674	-	-	1,674
Net income/(expense) from reinsurance contracts held	**(87,681)**	**1,674**	**110,926**	**2,967**	**27,886**
Effect of changes in the risk of reinsurers non-performance	-	-	(72)	-	(72)
Effect of changes in reinsurance contracts held	-	-	(7,117)	(888)	(8,005)
Finance income from reinsurance contracts held	**-**	**-**	**(7,189)**	**(888)**	**(8,077)**
Total amounts recognised in comprehensive income	**(87,681)**	**1,674**	**103,737**	**2,079**	**19,809**
Cash flows					
Premiums paid	87,915	-	-	-	87,915
Recoveries from reinsurance	-	-	(78,928)	-	(78,928)
Total cash flows	**87,915**	**-**	**(78,928)**	**-**	**8,987**
Closing reinsurance contract assets	**22,089**	**4,115**	**128,746**	**14,968**	**169,918**

Note 3 Insurance operations (continued)

Note 3.5.3 Claims development

3.5.3.1 Gross claims development

The following table shows the development of gross undiscounted insurance contract liabilities relative to the ultimate expected cost of claims for the ten most recent policy years.

	Company and Consolidated										
Accident Year	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**2023 $'000**	**Total $'000**
At end of accident year	48,862	81,836	55,363	66,901	57,788	79,622	94,430	88,285	131,776	57,871	
One year later	54,262	65,928	45,789	52,706	48,484	66,648	92,978	78,164	130,815		
Two years later	52,922	58,778	42,342	48,404	44,509	66,122	94,687	82,478			
Three years later	50,615	53,712	40,879	46,130	44,948	69,145	97,623				
Four years later	45,456	53,322	38,683	47,725	47,516	70,066					
Five years later	44,572	51,740	40,113	48,351	47,898						
Six years later	44,360	52,777	39,716	49,118							
Seven years later	45,834	52,526	40,763								
Eight years later	46,981	51,968									
Nine years later	47,100										
Current estimate of ultimate claims cost	47,453	51,968	40,763	49,118	47,898	70,066	97,623	82,478	130,815	57,871	
Cumulative gross payments	(42,918)	(48,760)	(35,048)	(43,926)	(38,859)	(60,087)	(76,936)	(55,146)	(84,226)	(10,045)	
Undiscounted central estimates	**4,535**	**3,208**	**5,715**	**5,192**	**9,039**	**9,979**	**20,687**	**27,332**	**46,589**	**47,826**	**180,102**
2013 and prior years											82,058
Gross discount											(33,548)
Claims handling expenses											9,488
Risk adjustment											40,641
Total Gross insurance contract liabilities											**278,741**

3.5.3.2 Net claims development

The following table shows the development of net undiscounted insurance contract liabilities relative to the ultimate expected cost of claims for the ten most recent policy years.

	Company and Consolidated										
Accident Year	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**2023 $'000**	**Total $'000**
At end of accident year	17,664	18,068	18,063	22,812	21,917	21,750	29,218	28,942	24,597	26,810	
One year later	16,636	14,841	17,080	19,929	19,915	18,645	28,233	29,075	26,229		
Two years later	14,745	13,568	16,114	18,380	17,308	18,782	30,706	35,359			
Three years later	11,913	9,747	16,148	16,299	18,082	21,477	34,751				
Four years later	9,221	10,277	14,521	18,901	20,710	23,166					
Five years later	8,765	8,682	15,099	19,750	21,504						
Six years later	8,055	10,384	15,055	20,382							
Seven years later	9,203	10,370	16,061								
Eight years later	9,488	10,056									
Nine years later	9,275										
Current estimate of ultimate claims cost	9,275	10,056	16,061	20,382	21,504	23,166	34,751	35,359	26,229	26,810	
Cumulative net payments	(6,695)	(7,232)	(11,665)	(15,851)	(13,416)	(14,669)	(18,361)	(13,350)	(8,291)	(3,123)	
Undiscounted central estimates	**2,580**	**2,824**	**4,396**	**4,531**	**8,088**	**8,497**	**16,390**	**22,009**	**17,938**	**23,687**	**110,940**
2013 and prior years											55,488
Net discount											(24,559)
Claims handling expenses											9,488
Risk adjustment											26,409
Reinsurance recoveries receivable											(24,405)
Total Net insurance contract liabilities											**153,361**

Note 3 Insurance operations (continued)

Note 3.5.3 Claims development (continued)

3.5.3.2 Net claims development (continued)

The Group provides information on the net claims development for the current reporting period and ten years prior to it. The Group considers that there is no significant uncertainty with regard to claims that were incurred more than ten years before the reporting period.

Note 4 Financial operations

Note 4.1 Summary of material accounting policies for financial instruments

The Group has applied AASB 9 *Financial Instruments* (AASB 9), including consequential amendments to other standards, to account for financial assets and liabilities held, particularly related to its investment portfolio backing insurance liabilities. It should be noted that AASB 9 does not apply to any balances that arise from insurance contracts issued or reinsurance contracts held. Therefore, any premium receivable balances from policyholders or amounts due from reinsurers are not accounted for under AASB 9, but are subject to AASB 17. Any amounts receivable from agents (i.e. intermediaries are subject to AASB 9 unless the balance with the agent arises from an insurance contract).

The Group does not carry any balances with agents that do not relate to insurance contracts so all of these balances have been considered under AASB 17.

AASB 9 does not apply to lease right-of-use assets, lease liabilities, provisions or income taxation balances.

Note 4.1.1 Summary of measurement categories for financial assets and liabilities

The Group classifies its financial assets into the following categories:

Type of financial instruments	Classification	Reason
Cash and cash equivalents	Amortised cost	Solely payments of principal and interest (SPPI), hold to collect business model
Government and corporate bonds backing insurance liabilities	Fair value through profit or loss	SPPI, hold to collect and sell business model Designated, accounting mismatch
Other Government and corporate bonds	Fair value through profit or loss	SPPI, hold to collect and sell business model Designated, accounting mismatch
Other financial assets	Amortised cost	Mandatory
Other financial liabilities	Amortised cost	Mandatory

The Group does not apply hedge accounting.

Note 4 Financial operations (continued)

Note 4.1.2 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), the transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost (AC), where material.

Note 4.1.3 Amortised cost and effective interest rate

AC is the amount at which the financial asset or liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method for any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its AC before any impairment allowance) or to the AC of a financial liability. The calculation does not consider the ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the EIR.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognised in profit or loss.

Interest revenue is calculated by applying the EIR to the gross carrying amount of financial assets recognised at AC.

Note 4 Financial operations (continued)

Note 4.1.4 Financial assets

4.1.4.1 Classification and subsequent measurement

The Group classifies its financial assets into the following measurement categories:
- AC; or
- FVTPL

The Group has not classified any financial assets as Fair Value through Other Comprehensive Income (FVOCI).

4.1.4.2 Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from an issuer's perspective, such as government and corporate bonds.

The classification and subsequent measurement of debt instruments depends on:
a. the Group's business model for managing the asset; and
b. the cash flow characteristics (represented by SPPI).

Based on these factors, the Group has elected to classify its debt instruments at FVTPL to reduce an accounting mismatch, as these instruments predominantly back insurance liabilities. A gain or loss on a debt investment is subsequently measured at FVTPL and is recognised and presented within the statement of comprehensive income within net gains on FVTPL investments in the period in which it arises.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership; or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks. These transactions are accounted for as pass through transfers that result in derecognition if the Group:
a. has no obligation to make payments unless it collects equivalent amounts from the assets;
b. is prohibited from selling or pledging the assets; and
c. has an obligation to remit any cash it collects from the assets without material delay.

4.1.4.3 Insurance receivables

The Group recognises insurance receivables, including premiums from policyholders/intermediaries, reinsurance receivables, including intercompany balances, and other recoveries receivable under AASB 17 as they are excluded from the scope of AASB 9.

4.1.4.4 Other financial assets

The remaining financial assets held by the Group include other non-trade debtors measured at amortised cost.

Note 4 Financial operations (continued)

Note 4.1.5 Financial liabilities

4.1.5.1 Classification and subsequent measurement
In both the current and prior period, financial liabilities are classified and subsequently measured at AC. These liabilities include trade and other payables not subject to AASB 17, such as sundry creditors and intercompany balances owed to the Group's immediate parent.

4.1.5.2 Derecognition
Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Note 4.2 Significant judgements and estimates applied in AASB 9

Note 4.2.1 Judgements

This note provides an overview of the areas that involve a higher degree of judgement or complexity. More detailed information about these judgements is included in the notes.

Judgement	Description
Classification of financial instruments	The Group has made judgements in applying the business model criteria to its portfolio of debt instruments. The Group has also applied judgement as to whether designating debt instruments at FVTPL significantly reduces an accounting mismatch. For more information, refer to Note 4.1.4.2.
Expected credit loss	A number of significant judgements are required in applying the accounting requirements for measuring the ECL, such as: a. determining the criteria for a significant increase in credit risk (SICR); b. choosing appropriate models and assumptions for the measurement of the ECL; c. establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and d. establishing groups of similar financial assets for the purposes of measuring the ECL. For more information, refer to Note 4.6.

Note 4.2.2 Estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of items which are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the below notes together with information about the basis of calculation for each affected line item in the consolidated financial statements. In applying AASB 9 measurement requirements, the following inputs and methods were used that include significant estimates.

Fair value of financial instruments
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

For more information, refer to Note 4.5.2.

Expected credit loss
The Group recognises a forward-looking loss allowance for ECL on financial assets measured at AC. ECL is an unbiased, probability-weighted estimate of credit losses and considers all reasonable and supportable information, as well as considering whether there has been a significant increase in credit risk.

For financial assets measured at AC that fall within the treatment of AASB 9, the Group applies:
- a probability of default (PD) factor, being the weighted-average probability of a credit loss occurring, and
- a loss given default (LGD) factor, being the estimated exposure should a credit loss occur.

For more information, refer to Note 4.6.

Note 4 Financial operations (continued)

Note 4.3 Financial assets and liabilities

The carrying amounts of the financial assets and liabilities held by the Group are:

	2023			2022		
	AC	FVTPL	Total	AC	FVTPL	Total
Cash and cash equivalents	36,591	-	36,591	46,138	-	46,138
Financial assets						
- Government / semi-government bonds	-	153,266	153,266	-	132,019	132,019
- Corporate bonds	-	95,823	95,823	-	91,247	91,247
- Shares in subsidiaries	10	-	10	10	-	10
Loans and other receivables	3,978	-	3,978	2,891	-	2,891
Total Investment assets and cash and cash equivalents	**40,579**	**249,089**	**289,668**	**49,039**	**223,266**	**272,305**

Refer to the accounting policies in Note 4.1.4.2 for an explanation as to why the Group has designed certain financial assets at FVTPL. The carrying amounts of the financial assets are all designated against the Group's portfolio of insurance contract liabilities.

All cash and cash equivalents held are current. The current portion of investment assets amounts to $31,574K (2022: $28,003K).

Note 4.4 Investment income and insurance finance expenses

An analysis of net investment income and net insurance finance expenses is presented below:

	2023	2022
Net investment income/(expenses)		
Interest revenue from financial assets not measured at FVTPL	1,005	602
Net gains/(losses) on FVTPL investments	14,184	(10,273)
Investment expenses	(334)	(315)
Total net investment income/(expenses)	**14,855**	**(9,986)**
Finance income/(expenses) from insurance contracts issued		
Interest accreted	(13,072)	(3,656)
Effect of changes in interest rates and other financial assumptions	(4,000)	23,893
Total finance income/(expenses) from insurance contracts issued	**(17,072)**	**20,237**
Finance income/(expenses) from reinsurance contracts held		
Interest accreted	5,947	1,091
Effect of changes in interest rates and other financial assumptions	3,949	(9,168)
Total finance income/(expenses) from reinsurance contracts held	**9,896**	**(8,077)**
Net insurance finance income/(expenses)	**(7,176)**	**12,160**
Summary of the amounts recognised		
Insurance service result	(3,896)	3,727
Net investment income	14,855	(9,986)
Net insurance finance expenses	(7,176)	12,160
Net insurance and investment result	**3,783**	**5,901**

The total interest revenue and investment income for each class of financial instruments by measurement category is as follows:

	2023			2022		
2023	AC	FVTPL	Total	AC	FVTPL	Total
Interest revenue from financial assets not measured at FVTPL						
Cash and cash equivalents	1,005	-	1,005	602	-	602
Net gains on FVTPL investments						
Government/semi-government bonds	-	9,916	9,916	-	(9,936)	(9,936)
Corporate bonds	-	4,268	4,268	-	(337)	(337)
	-	**14,184**	**14,184**	**602**	**(10,273)**	**(10,273)**
Other						
Investment expense	(334)	-	(334)	(315)	-	(315)
	(334)	**-**	**(334)**	**(315)**	**-**	**(315)**
Total interest revenue and investment income	**671**	**14,184**	**14,855**	**287**	**(10,273)**	**(9,986)**

All amounts are recognised through profit or loss.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 4 Financial operations (continued)

Note 4.5 Fair value measurement

Note 4.5.1 Fair value hierarchy

The Group categorises a financial asset or a financial liability measured at fair value at the same level of fair value hierarchy as the lowest-level input that is significant to the entire measurement.

The Group ranks fair value measurements based on the type of inputs, as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded equities, bonds and derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Group has no Level 3 investments during the two reporting periods presented.

There were no transfers between Levels 1 and 2 for recurring fair value measurements during both years.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

4.5.1.1 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments.

Note 4.5.2 Recognised fair value measurement

This note sets out the split of financial instruments by fair value hierarchy level:

	2023			2022		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Government / semi-government bonds	153,266	-	153,266	132,019	-	132,019
Corporate bonds	95,823	-	95,823	91,247	-	91,247
Total investment assets at fair value	**249,089**	**-**	**249,089**	**223,266**	**-**	**223,266**

Note 4.5.3 Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, other financial assets and other financial liabilities approximate their fair value.

Note 4 Financial operations (continued)

Note 4.6 Credit risk for financial instruments

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The credit risk arising from reinsurance contracts held is described in Note 4.6.4 and Note 7.

Note 4.6.1 Management of credit risk for financial instruments

The Group has exposure to credit risk, which is the risk of non-payment of their obligations by counterparties and financial markets borrowers. Areas where the Group is exposed to credit risk are:

- Counterparty default on loans, receivables and debt securities;
- Deposits held with banks;
- Reinsurers' share of insurance liabilities (excluding provision for unearned premiums) and amounts due from reinsurers in respect of claims already paid; and
- Amounts due from insurance intermediaries and policyholders.

The Group is exposed to minimal credit risk in relation to all other financial assets.

The Group manages credit through its Board-approved risk appetite statement, which sets credit risk exposure limits through Board and management policies. The Group's operating and investing activities are to operate within these credit limits, which are monitored by management and the Group's investment manager. The Group will only enter into financial asset exposures that are of investment grade, which is defined by the Group's policies as being of at least a BBB credit rating (where an external rating exists).

The Group does not use credit derivatives to manage credit risk.

Note 4.6.2 Model for expected credit losses

An impairment provision must be provided for all financial assets measured at AC, where material. Impairments are calculated on an expected, rather than incurred, basis. This AASB 9 approach therefore focuses on the risk that a counterparty will default, rather than whether a loss has been incurred. This forward-looking basis is influenced by a variety of factors including credit rating to the issuer and macro-economic conditions that are relevant to the asset or portfolio of assets.

Expected credit losses represent possible outcomes which are provided for as a measurement of an asset's credit risk. The size of the ECL recognised will depend on the relative change in credit risk of the financial asset since it was first recognised. If there has been no significant increase in credit risk, the impairment provision is a 12-month ECL. If there is a significant increase in credit risk, the impairment provision is the lifetime ECL.

The Group is required to recognise a loss allowance for ECL on contract assets under AASB 15 *Revenue from contracts with customers* (AASB 15), which defines a contract asset as an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. This would include balances such as fees receivable.

The Group has not recognised an ECL on financial assets that are debt instruments, such as loans, bank balances and deposits, and other receivables that are measured at AC as these are immaterial to the Group, either due to the size of the financial asset or due to high credit quality.

Note 4 Financial operations (continued)

Note 4.6.3 Application of ECL to the Group

ECLs must be recognised for all assets classified at AC, as well as contract assets measured under AASB 15. Under AASB 9, when measuring ECLs, the Group will apply either:

1. a general approach, which requires that credit exposures are monitored for a significant increase in credit risk since initial recognition; or
2. a simplified approach, which does not require monitoring for increases in credit risk.

The model to be applied is governed by AASB 9 and depends upon the nature of the financial asset.

A third measurement approach, relating to purchased or originated credit impaired (POCI) assets, is also permitted under AASB 9, but is not applicable to the Group as it does not hold such assets.

The table below sets out the Group's approach in line with the standard and whether an election has been made:

Financial Asset	Approach	Elected / mandatory approach
Other loans*	General – 12 month ECL	Mandatory
Contract assets under AASB 15**	General – 12 month ECL	Elected

*Other loans include the loan to the Canterbury Earthquake Church & Heritage Trustee Limited. Refer to Note 15 for more details.
**Contract assets include fees receivable, which include a significant financing component. Refer to Note 15 for more details.

4.6.3.1 General approach

AASB 9 emphasises that estimating ECLs does not necessarily need to be complex and an entity does not need to identify every possible scenario. It also permits the use of models for estimated expected losses that do not require explicit scenario and probability analysis.

The Group has adopted an approach the comprises:

- Probability of default (PD) – being the probability that a default event will happen
- Loss given default (LGD) – being the amount lost due to the default event
- Exposure at default (EAD) – being the amount exposed to a given default event

The ECL is calculated as the PD x LGD x EAD. Where the Group applies the General approach to measuring ECLs on balances, the LGD and EAD are set at 100% as the balances are not being serviced and, should a default occur, there would no possibility of recovering any of the balances.

The Group has defined a significant increase in credit risk as a counterparty that has experienced a downgrade of external credit rating such that the asset held by the Group is no longer considered investment grade. The Group does not hold any assets that have experienced a significant increase in credit risk since initial recognition. Hence, all loss allowances have been calculated using a 12-month ECL.

The loss allowances calculated on applicable balances using the general approach are not material to the Group and, therefore, no allowance has been recognised.

4.6.3.3 ECL on cash balances

Cash balances are classified as financial assets measured at amortised cost and, therefore, require ECL to be determined under AASB 9. Due to the nature of cash, it is considered reasonable where the counterparty bank is low risk and a bank authorised by a relevant competent regulatory authority, such as the Australian Prudential Regulation Authority (APRA), no ECL provisions should be made.

The Group does not hold cash with any counterparties with credit ratings lower than investment grade.

4.6.3.4 Financial assets measured at AC with no external credit rating

Financial instruments are not required to be externally rated. Where financial assets do not have external credit ratings and, therefore, PDs cannot be easily determined, judgement will be applied based on the knowledge of the debtor and the Group's internal policies. Any financial assets not externally rated will use a PD equivalent to a BBB rating, unless there is evidence to the contrary.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 4 Financial operations (continued)

Note 4.6.4 Credit risk exposure

The table below discloses the maximum exposure to credit risk for the components of the financial assets. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or taking account of the value of any collateral or security obtained.

		Company and Consolidated					
		AAA	AA+/AA-	A+/A-	BBB+/BBB-	Not rated	Total
	Note	$'000	$'000	$'000	$'000	$'000	$'000
2023							
Cash and cash equivalents	4.3	-	36,591	-	-	-	36,591
Corporate bonds	4.3	34,687	37,234	20,885	3,017	-	95,823
Government/semi-government bonds	4.3	113,663	39,603	-	-	-	153,266
Shares in subsidiaries	4.3	-	-	-	-	10	10
Loans		-	-	-	-	-	-
Insurance premium receivables within insurance contract liabilities		-	-	-	-	60,464	60,464
Reinsurance recoveries receivable within reinsurance contract assets		-	5,462	18,944	-	-	24,406
Non-trade receivables		-	-	550	-	3,978	4,528
Unsecured amount owing by holding company		-	-	7,524	-	-	7,524
Total		**148,350**	**118,890**	**47,903**	**3,017**	**64,452**	**382,612**
2022							
Cash and cash equivalents	**4.3**	-	46,138	-	-	-	46,138
Corporate bonds	**4.3**	37,653	37,480	14,099	2,015	-	91,247
Government/semi-government bonds	4.3	101,506	30,513	-	-	-	132,019
Shares in subsidiaries	4.3	-	-	-	-	10	10
Loans		-	-	-	-	3	3
Insurance premium receivables within insurance contract liabilities		-	-	-	-	50,760	50,760
Reinsurance recoveries receivable within reinsurance contract assets		-	1,226	9,136	-	-	10,362
Non-trade receivables		-	-	-	-	3,179	3,179
Unsecured amount owing by holding company		-	-	9,539	-	-	9,539
Total		**139,159**	**115,357**	**32,774**	**2,015**	**53,952**	**343,257**

Note 4.7 Transition to AASB 9

The Group adopted AASB 9 on 1 January 2023. The comparative information is not required to be restated and continues to be reported under AASB 139 *Financial Instruments*. The reclassifications and adjustments arising from the new expected credit loss provisions are therefore not reflected in the restated balance sheet as at 31 December 2022. The net impact to retained earnings as a result of the adoption of AASB 9 on 1 January 2023 is not material and the Group does not apply hedge accounting.

Note 5 Summary of other material accounting policies

Note 5.1 Fee income

Fee income is recognised when performance obligations are satisfied, regardless of when the payment is made. Performance obligations are considered satisfied when the services are substantially complete and provided to the customer. Where the balances include a significant financing component, the cash flows are discounted on inception and income recognised over time as the accretion of interest under the effective interest method.

Note 5.2 Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the income can be reliably measured. Interest income is accrued on a time proportionate basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value on initial recognition.

Note 5 Summary of other material accounting policies (continued)

Note 5.3 Foreign currency translation
All foreign currency transactions are brought to account using the exchange rate in effect at the date of the transaction.

Note 5.4 Leases
The Group assesses at contract inception whether a contract is or contains a lease, i.e. if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group applies a single recognition and measurement approach for all leases, except short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Note 5.4.1 Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease, i.e. the date the underlying asset is available for use. Right-of-use assets are measured at cost less any accumulated depreciation and impairment and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the term of the lease.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Note 5.4.2 Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date, unless the interest rate implicit in the lease is readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments, for example, changes to future payments resulting from a change in an index or rate used to determine such lease payments, or a change in the assessment of an option to purchase the underlying asset.

Note 5.4.3 Short-term and low-value leases
The Group applies the short-term lease recognition exemption to its short-term leases of equipment – i.e. those leases that have a term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Note 5.5 Income taxation

Note 5.5.1 Current taxation
Current taxation is calculated with reference to the amount of income taxation payable or recoverable in respect of the taxable income or loss for the year. It is calculated using taxation rates and laws that have been enacted or substantively enacted by the balance sheet date. Current taxation for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable.

Note 5 Summary of other material accounting policies (continued)

Note 5.5 Income taxation (continued)

Note 5.5.2 Deferred taxation

Deferred taxation is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding taxation base of those items.

In principle deferred taxation liabilities are recognised for all taxable temporary differences. Deferred taxation assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused taxation losses and taxation offsets can be utilised. However, deferred taxation assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, other than as a result of a business combination, which does not affect either taxable income or accounting profit before income taxation.

Deferred taxation assets and liabilities are recognised for deductible and taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred taxation assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable income against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply to the periods when the asset and liability giving rise to them are realised or settled, based on taxation rates and laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred taxation assets and liabilities reflects the taxation consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Note 5.5.3 Current and deferred taxation for the year

Current and deferred taxation is recognised as an expense or benefit in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred taxation is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Note 5.5.4 Australian Multiple Entry Consolidated Group

Ansvar Insurance Limited, Ansvar Risk Management Services Pty Limited and Ansvar Insurance Services Pty Limited formed an Australian Multiple Entry Consolidated Group (MEC Group) for income taxation purposes with effect from 8 January 2018 of which Ansvar Insurance Limited is the head company.

Ansvar Insurance Limited, as the head company, assumes the following balances from companies within the MEC Group:

- Current income taxation balances arising from external transactions recognised by companies in the MEC Group occurring on or after the implementation date.
- Deferred income taxation assets arising from unused income taxation losses and unused income taxation credits recognised by companies in the MEC Group.

A Tax Funding Agreement has been entered into by the head company and the other companies in the MEC Group. Companies in the MEC Group continue to be responsible, by the operation of the Tax Funding Agreement, for funding income taxation payments required to be made by the head company arising from underlying transactions of the companies in the MEC Group. Companies in the MEC Group make/receive contributions to/from the head company for the balances assumed by the head company. The contributions are calculated in accordance with the Tax Funding Agreement. The contributions are payable as set out in the Tax Funding Agreement and reflect the timing of Ansvar Insurance Limited's obligations to make payments to the Australian Taxation Office.

Assets and liabilities which arise as a result of balances transferred from companies within the MEC Group to the head company are recognised as a related party receivable or payable in the Consolidated Balance Sheet.

Note 5 Summary of other material accounting policies (continued)

Note 5.6 Goods and Services Taxation

Income, expenses, assets and liabilities are recognised net of GST except:

- Where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).
- For receivables and payables which are recognised inclusive of GST.

The gross amount of GST recoverable from or payable to the ATO is included as part of receivables or payables.

Cash flows are included in the Consolidated Cash Flow Statement on a net basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the ATO, is classified as cash flows from operating activities.

Note 5.7 Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss reduces the revaluation amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant ass is carried at fair value, in which case, the reversal of the impairment loss increases the revaluation amount.

Note 5.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes and include money market instruments with short maturities (three months or less from the date of acquisition) which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Note 5.9 Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is charged on property, plant and equipment and is calculated on a straight-line basis so as to write-off the net cost or other revalued amount of each asset over its expected useful life, accounting for any estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimate useful lives, residual values and depreciation method are reviewed at the end of each financial year.

Note 5 Summary of other material accounting policies (continued)

Note 5.9 Property, plant and equipment (continued)

The following estimated useful lives are used in the calculation of depreciation:
- Furniture and fixtures: 5 years
- Leasehold improvements: Term of lease
- Office IT equipment 3-9 years

Note 5.10 Accounting for configuration or customisation costs in a cloud computing environment

Costs that do not result in the recognition of an intangible asset are expensed as incurred, unless they are paid to the supplier of the Software-as-a-Service arrangement to significantly customise the cloud based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

Note 5.11 Trade and other payables

Trade payables represent payables associated with the premium, reinsurance and other recoveries, claims and commission, and are accounted for under AASB 17. All other payables are classified as non-trade payables.

Payables are stated at cost, which is the fair value of future payments for the purchase of goods and services. Payables are recognised when the Group has a constructive obligation to make these payments.

Trade and other payables are non-interest bearing and normally settle within 12 months. The non-current portion has not been discounted as the effect of the time value of money is not material.

Note 5.12 Employee benefits

Provisions are made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the balance sheet date when it is probable that settlement will be required and the amounts can be reliably measured.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured as the amount unpaid at the balance sheet date current pay rates in respect of employees' services up to that date.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured at the present value of the expected future cash flows to be made by the Group in respect of services provided by employees up to the balance sheet date. Consideration is given to the expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on high quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Note 5.13 Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the company (its subsidiaries) referred to as 'the Group' in these financial statements. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The consolidated financial statements include the information and results of a controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control the entity.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions and unrealised profits arising within the economic entity are eliminated in full.

Note 5 Summary of other material accounting policies (continued)

Note 5.14 Significant judgements and estimates applied in other material accounting policies

Note 5.14.1 Recoverability of future taxation losses

At the balance sheet date, Ansvar makes an assessment whether it is probable that it will have taxable profits against which any temporary differences or unused taxation losses can be utilised before the unused taxation losses or unused taxation credits expire. In making this assessment, Ansvar considers the expected level of taxable profits in its future business plans against which the taxable losses can be utilised.

Note 5.15 New Accounting Standards and Interpretations

The new or amended Australian Accounting Standards applicable for the current reporting year are provided below.

Standard	**Summary**	**Effective date**
AASB 17 *Insurance Contracts* and AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments*	The Group has applied AASB 17 *Insurance Contracts*, including any consequential amendments to other standards, from the effective date of 1 January 2023 and has applied AASB 17 retrospectively from the transition date of 1 January 2022. These standards have brought about significant changes to the accounting for insurance contracts issued and reinsurance contracts held as well as financial instruments. The nature and effect of the Group's adoption of AASB 17 is provided in detail in Note 3 above.	1 January 2023
AASB 9 *Financial Instruments*	The Group has applied AASB 9 *Financial Instruments*, including any consequential amendments to other standards, from the effective date of 1 January 2023. Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, except as described below: • The comparative period has been restated. However, information about financial instruments that had already been derecognised at 1 January 2023 continues to be reported in accordance with AASB 139 for the comparative period. • The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2023: a. The determination of the business model within which a financial asset is held. b. The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL. c. The designation of certain investments in equity instruments not held for trading as at FVOCI. • If a financial asset had low credit risk at 1 January 2023, then the Group determined that the credit risk on the asset had not increased significantly since initial recognition. As permitted by AASB 9, the Group has not disclosed information about the line item amounts that are reported in accordance with the classification and measurement (including impairment) requirements of AASB 9 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of AASB 139 for 2023. The nature and effect of the Group's adoption of AASB 9 is provided in Note 4 above.	1 January 2023

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 5 Summary of other material accounting policies (continued)

Note 5.15 New Accounting Standards and Interpretations (continued)

Standard	Summary	Effective date
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	This Standard makes amendments to: • AASB 7 *Financial Instruments: Disclosures*, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financials statements; • AASB 101 *Presentation of Financial Statements*, to require entities to disclose their "material" accounting policies rather than their "significant" accounting policies. • AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, to clarify how entities should distinguish between changes in accounting policies and changes in accounting estimates. • AASB 134 *Interim Financial Reporting*, to identify material accounting policy information as a component of a complete set of financial statements; and • AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures. *Impact on the Group* The changes to AASB 7, 101, 108 and Practice Statement 2 are expected to impact on the Group. The Group has made updates to its accounting policy information disclosed within these financial statements to be referenced as 'material', rather than 'significant'. The remaining changes will be considered by the Group as part of any changes to accounting policies and estimates, materiality and measurement bases where applicable but is not expect to have a material impact. The change to AASB 134 is not applicable as the Group does not prepare interim financial reports.	1 January 2023
AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information*	This Standard amends AASB 17 *Insurance Contracts* to add a transition option referred to as 'a classification overlay' relating to comparative information about financial assets presented on initial application of AASB 17 and AASB 9 *Financial Instruments* at the same time. The amendments relate to financial assets for which comparative information presented on initial application of AASB 17 and AASB 9 has not been restated for AASB 9. Applying the transition option would permit an entity to present comparative information about such a financial asset as if the classification and measurement requirements of AASB 9 had been applied to the financial asset. This enables insurers to reduce potentially significant accounting mismatches between financial assets and insurance contract liabilities in the comparative period (or periods), to improve the usefulness of the comparative information in the general purposes financial statements. *Impact on the Group* The Group has elected not to apply AASB 2022-1 as it will be applying the provisions of AASB 17 and AASB 9 to present the comparatives under AASB 139.	1 January 2023

Note 5 Summary of other material accounting policies (continued)

Note 5.15 New Accounting Standards and Interpretations (continued)

Accounting Standards not yet effective

As at the date of this financial report, there are a number of new and revised accounting standards published by the Australian Accounting Standards Board, for which mandatory application dates fall after the end of this current reporting year.

Standard	**Effective Date**
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2025
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 January 2024
AASB 2021-7c *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]*	1 January 2025
AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in Sale and Leaseback*	1 January 2024
AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*	1 January 2024
AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*	1 July 2026
AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*	1 January 2024
AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*	1 January 2024
AASB 2023-3 *Amendments to Australian Accounting Standards – Disclosure of Non-current liabilities with Covenants: Tier 2*	1 January 2024

None of these standards have been early adopted and applied in the current year. The Australian Accounting Standards and amendments detailed in the table above are not mandatory for the Group until after the operative dates stated, however, early adoption is permitted.

The Group current plans to apply the standards and amendments detailed above for the reporting periods beginning on or after the operative dates set out above. An assessment of the financial impact of the standards and amendments has been undertaken and they are not expected to have a material impact.

Note 6 Expenses by nature

An analysis of the expenses incurred by the Group in the reporting period is included in the table below:

	2023					**2022**				
	Expenses attributed to insurance acquisition cash flows $'000	**Other directly attributable expenses $'000**	**Other indirect overhead expenses $'000**	**Strategic & non attributable expenses $'000**	**Total $'000**	**Expenses attributed to insurance acquisition cash flows $'000**	**Other directly attributable expenses $'000**	**Other indirect overhead expenses $'000**	**Strategic & non attributable expenses $'000**	**Total $'000**
Employee expenses	11,181	1,556	8,439	2,857	24,033	10,314	2,056	5,763	1,790	19,923
Commissions	23,220	-	-	-	23,220	22,604	-	-	-	22,604
Claims adjustment expenses	-	(1)	-	-	(1)	-	847	-	-	847
Audit, legal and other professional fees	72	-	3,044	656	3,772	76	161	1,805	656	2,698
Other expenses	1,279	23	8,423	581	10,306	1,553	362	6,081	792	8,788
Total	**35,752**	**1,578**	**19,906**	**4,094**	**61,330**	**34,547**	**3,426**	**13,649**	**3,238**	**54,860**

Note 7 Risk management

Note 7.1 Risk management framework

The Group values risk management as an integral part of its governance framework and decision making processes. The Board accepts ultimate responsibility for:

- Setting the tone from the top for risk culture.
- Ensuring the effectiveness of the risk management framework and the systems of internal and accounting control.
- Compliance with legislative and regulatory obligations including capital and solvency requirements.

The Group's Risk and Compliance function is led by its Chief Risk Officer, who is responsible for the ongoing development of its risk management framework, policies and standards. The application of the risk management framework across the Group provides reasonable assurance that key risks are identified and adequately managed. The framework is regularly reviewed to ensure it remains fit-for-purpose and effective. The Group outsources its internal audit function to provide independent and objective assessment of its governance, risk management and internal control activities.

The Risk Management Strategy is a core component of the risk management framework and details the strategy for identifying, managing and reporting risks pertaining to the achievement of the Group's strategic and operational objectives. It includes an agreed approach to assessing, mitigating and monitoring material risks. The Risk Management Strategy is formally reviewed and approved by the Board annually and any material changes are submitted to the Group's regulator, the Australian Prudential Regulation Authority (APRA).

In addition to the Risk Management Strategy, the Group's risk management framework includes the following key documents:

- Risk Management Policy – sets out the Group's commitment to risk management as a driver of effective governance.
- Risk Appetite Statement – defines the parameters the Board has set for acceptable and unacceptable risk taking.
- Reinsurance Management Strategy – details the reinsurance management framework, including the selection, implementation, monitoring, review, control and documentation of reinsurance arrangements.
- Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement – sets out the Group's capital assessment and management processes and monitoring controls.

Note 7.2 The Group's material risks

The Group's material risks form part of the risk profile and are subject to formal risk assessment, management and reporting. The Group implements a range of key mitigation strategies in order to manage and mitigate its material risks. These have been identified by the Group as follows:

- Strategic risk (see Note 7.2.1);
- Insurance risk (see Note 7.2.2);
- Financial risk (see Note 7.2.3);
- Operational risk (see Note 7.2.4); and
- People & Culture risk (see Note 7.2.5).

Note 7 **Risk management (continued)**

Note 7.2 **The Group's material risks (continued)**

Note 7.2.1 *Strategic risk*

The Group's exposure to strategic risk incorporates brand, reputation, climate change, external environment, execution, Group support and material change portfolio. The material strategic risk exposures include:

- Inability to prioritise and deliver on Budget and Corporate Plan initiatives impacting on competitive position and capital strength.
- Ansvar's competitive position may be eroded if services are not designed around what is important to customers.
- Inability to meet service standards and business requirements, resulting in adverse impact to reputation, increased regulatory scrutiny and reduced profitability.

Management of the Group's strategic risk focuses on robust business planning and portfolio management in order to identify and respond to changes in the external environment and adjust the Group's strategy accordingly.

Key mitigation strategies include the following:

- The Board approves the annual Corporate Plan and Budget and monitors performance with a comprehensive suite of key performance and risk metrics. The Corporate Plan and Budget considers the external environment the Group operates within, its material change portfolio, support from the Group's parent, and execution of the strategic plan.
- High important is placed on meeting service standards and business requirements in order to mitigate customer impact and avoid adverse impacts to profitability and regulatory scrutiny.

Note 7.2.2 *Insurance risk*

The Group's exposure to insurance risk incorporates underwriting, claims, product, portfolio management, pricing, reinsurance and distribution. The material insurance risk exposures include:

- Erosion of capital position due to inadequate planning and implementation of reinsurance programmes.
- Inadequate pricing rate strength, maintenance of margins and underwriting capability across the insurance lifecycle, impacting on the Group's longer term profitability.
- Erosion of market share due to shift in competitor distribution model to direct channels, rather than the Group's intermediated distribution model.
- Inadequate reserving across portfolios of insurance business, including the residual impact on claims experience from catastrophe events, for example, COVID-19 pandemic.
- Failure to maintain stop loss reinsurance for the PSA portfolio may impact capital strength and profitability.

The Group manages its insurance risk based on its policies and risk appetite statement. The Board, Risk & Compliance Committee and other management committees monitor the adequate application of policies and review the trends in pricing, loss ratios and other impacts to insurance risks.

Note 7 Risk management (continued)

Note 7.2 The Group's material risks (continued)

Note 7.2.2 Insurance risk (continued)

Effective management of insurance risk across long tail and short tail exposures is fundamental to the Group's success and financial stability. Key strategies for mitigating insurance risk are underpinned by the following:

- Underwriting, actuarial and analytics capability are established and supported by a suite of operating procedures, including:
    - Imposing maximum claim amounts on certain contracts, including specific risk sub-limits on occurrence of insured events.
    - Limits to enforce appropriate risk selection criteria.
    - Contract wording to ensure the Group has the right to not renew policies, re-price on renewal, impose deductibles, reject fraudulent claims and entitle it to pursue third parties for payment of some or all costs.
- Approaches to managing and testing insurance practices are detailed in the Group's corporate policies, quality assurance programmes, delegated authorities framework, underwriting authority, claims authority and Internal Capital Adequacy Assessment Process (ICAAP).
- Oversight, management and reporting on portfolio management, including:
    - Implementation of a Portfolio Optimisation and Pricing Forum, to include members from all relevant teams of the Group.
    - Formal peer reviews and a quality assurance process, with an embedded learning and development training program encompassing all product offerings and learnings from peer reviews.
    - Monitoring and reporting on discounting, price adequacy and target pricing.
- Oversight, management and reporting on portfolio management, including the implementation of a Portfolio Optimisation and Pricing Forum with members from all relevant teams within the Group.
- A comprehensive Reinsurance Management Strategy in order to limit the Group's exposure to within its risk appetite. Reinsurance arrangements are critical in mitigating insurance risk. The Group reinsures a portion of the risks it underwrites to control exposures to losses, stabilise earnings, protect capital resources and ensure efficient control and spread of underwriting risk.
- Claims are managed by a central team of claims specialists and insurance liabilities are regularly assessed and monitored, in order to mitigate the risks surrounding known claims. Claims are approved and paid in line with the Group's claims authorities as delegated in the annual claims licence.
- In addition to employing a specialist team, the Claims team investigates and adjusts all material or suspicious claims. These claims are reviewed individually at least annually and adjusted to reflect the latest information on underlying facts, current law, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Note 7.2.3 Financial risk

The Group's exposure to financial risk incorporates liquidity, budget, credit and investments. The material financial risk exposures include:

- Impact on capital position due to deterioration in the Group's credit rating.
- The Group's financial position may be weakened by changes in market conditions, such as interest rates.
- Payment delays or defaults from debtors, including brokers, reinsurers and others, impacting on liquidity.

There are four overarching areas of financial risk:

- Investment risk – the Group's investment portfolio, insurance contract liabilities and reinsurance contract assets may be adversely impacted due to movements in underlying interest rates, which impact asset values and discounted future values presented by the Group.
- Liquidity risk – the Group is unable to liquidate investments or effectively manage its cash flow to settle its financial obligations when they fall due.
- Budget risk – failure to achieve the Group's budget and corporate plan outcomes may negatively impact the Group's profitability and other key financial metrics.
- Credit risk – the Group's liquidity may be impacted by the timeliness of payments received from brokers, reinsurers or other debtors. This may arise from counterparty default risk, spread risk or market concentration risk.

Note 7 **Risk management (continued)**

Note 7.2 **The Group's material risks (continued)**

Note 7.2.3 *Financial risk (continued)*

The Group has established policies and procedures for mitigating financial risks, including:

- Balance Sheet and Market Risk Policy – identifies the main sources of market risk applicable to the Group and details how these are measured, monitored and controlled.
- Credit Risk Policy – details the parties with whom credit will be granted and the controls and processes in place for maximising cash flows and dealing with defaults.
- Investment Policy – the objective of the Policy is to maximise the long-term return from the investment portfolio within the agreed risk profile. This includes investing in investment-grade assets of a high credit quality to avoid capital charges from APRA, whilst also maintaining high levels of liquidity in the portfolio.
- Outsourcing Policy – sets out the standards required by all companies to whom the Group outsources any of its material functions.
- ICAAP Summary Statement – describes and summarises the Group's capital assessment and capital management processes.
- Dividends and Planned Reductions of Capital Policy – describes the Group's approach to analysing and approving an appropriate level of dividends whilst maintaining a robust capital position.
- Capital Management Strategy – describes key elements of the Group's approach to capital management and the Internal Capital Adequacy Assessment Process (ICAAP) including management responsibilities and controls.
- Taxation Policy – describes compliance statement, processes and controls to meet all current taxation legislation and regulations applicable to the Group.

7.2.3.1 Investment risk

The value of the Group's investment portfolio is impacted by a number of key factors, including:

- Movements in interest rates and inflation and widening of credit spreads, which impact on the values of fixed interest securities.
- Contraction in market liquidity
- Inadequate processes for valuing assets.

The Group has determined the nature and extent of the investment risks to which it considers acceptable. These limits are documented in the Group's Risk Appetite Statement and Investment Policy and are regularly monitored.

The Group performs regular stress testing to determine the impact of market risks on the consolidated balance sheet. The stress testing determines the APRA risk charges and capital base on which the group is required to hold appropriate investment assets.

Stress testing is the key analysis performed by the Group on the appropriateness of the matching of assets and liabilities.

Interest rate risk management
The Group manages interest rate risk primarily by matching the timing of cash flows from debt instruments with the timing of cash flows from insurance and reinsurance contracts.

The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and the insurance contracts. The mean duration is an indicator of the sensitivity of the assets and liabilities to change in interest rates. The mean duration of insurance liabilities is determined by means of projecting expected cash flows from the contracts. The mean duration of the assets is calculated in a consistent manner. Any gap between the mean duration for the assets and mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations.

The Group's activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the Group to cash flow risk, whereas fixed rate instruments expose the Group to fair value risk. The impact of movements in interest rates on the Group's profit or loss is mitigated by the Group's policy of investing in assets backing net insurance liabilities principally in securities that are matched to the duration of the net insurance liabilities. Therefore, movements in the fair value measurement of the assets broadly offset the impact of movements in the net insurance liabilities from changes in interest rates.

Note 7 **Risk management (continued)**

Note 7.2 **The Group's material risks (continued)**

7.2.3.1 Investment risk (continued)

The following tables present the estimated amount and timing of the remaining contractual discounted cash flows arising from investment assets and insurance liabilities. When debt securities mature, the proceeds not needed to meet liability cash flows will be reinvested.

31 December 2023	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10	>10 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Investment assets								
Government / semi-government bonds	7,438	17,459	19,986	26,433	4,592	54,107	23,261	**153,276**
Corporate bonds	24,136	28,186	20,442	9,853	13,206	-	-	**95,823**
Total investment assets	**31,574**	**45,645**	**40,428**	**36,286**	**17,798**	**54,107**	**23,261**	**249,099**
Insurance contract balances								
Reinsurance contract assets	81,556	19,006	7,243	4,232	2,873	8,390	2,080	**125,380**
Insurance contract liabilities	(100,855)	(49,824)	(33,369)	(23,330)	(16,603)	(41,972)	(12,788)	**(278,741)**
Total insurance contract balances	**(19,299)**	**(30,818)**	**(26,126)**	**(19,098)**	**(13,730)**	**(33,582)**	**(10,708)**	**(153,361)**
Net discounted cash flows	**12,275**	**14,827**	**14,302**	**17,188**	**4,068**	**20,525**	**12,553**	**95,738**

31 December 2022	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10	>10 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Investment assets								
Government / semi-government bonds	5,046	9,437	21,156	18,344	21,843	43,791	12,416	**132,033**
Corporate bonds	22,957	21,964	25,945	14,107	6,274	-	-	**91,247**
Total investment assets	**28,003**	**31,401**	**47,101**	**32,451**	**28,117**	**43,791**	**12,416**	**223,280**
Insurance contract balances								
Reinsurance contract assets	86,874	31,652	9,065	4,779	2,710	6,752	1,882	**143,714**
Insurance contract liabilities	(112,967)	(53,436)	(32,522)	(23,385)	(16,063)	(40,206)	(13,554)	**(292,133)**
Total insurance contract balances	**(26,093)**	**(21,784)**	**(23,457)**	**(18,606)**	**(13,353)**	**(33,454)**	**(11,672)**	**(148,419)**
Net discounted cash flows	**1,910**	**9,617**	**23,644**	**13,845**	**14,764**	**10,337**	**744**	**74,861**

Note 7 Risk management (continued)

Note 7.2 The Group's material risks (continued)

7.2.3.1 Investment risk (continued)

Interest rate risk sensitivity
The following table presents analysis of how a possible shit in market interest rates might impact the balances of contracts within the scope of AASB 17 and the net impact on profit or loss and equity. The Group's other financial assets and liabilities are not significantly sensitive to interest rates.

	Net insurance contracts balance	Investment assets subject to interest rate risk[1]	0.5% increase in interest rates Impact on:				0.5% decrease in interest rates Impact on:			
			Net insurance contracts balance	Investment assets	Profit or loss	Equity	Net insurance contracts balance	Investment assets	Profit or loss	Equity
31 Dec 2023	169,323	249,099	3,046	(4,060)	(1,014)	(1,014)	(3,163)	4,060	897	897
31 Dec 2022	150,577	223,280	2,969	(3,655)	(686)	(686)	(3,088)	3,655	567	567

[1]Cash and cash equivalents were excluded from this table due to their short maturity and the insignificant impact from variability in interest rates.

The sensitivity analysis above has been determined based on the exposure to interest rates at the balance sheet date. The sensitivity analysis assumes that the change takes place at the balance sheet date with the investments marked to market at the same date. A 0.5% (2022: 0.5%) increase or decrease in interest rates in absolute terms is used by the Appointed Actuary in the claims sensitivity analysis in respect of the discount rate. The same percentage has been used in this sensitivity analysis to present the impact on interest bearing investments. These movements are attributable to the Group's exposure to interest rates on its variable interest rate investments and the fair value movement on its fixed interest rate investments.

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the Group in the methods and assumptions used in preparing the above analysis.

7.2.3.2 Liquidity risk

The mitigation strategies outlined in Note 7.2.3.1 above also impact on liquidity risk, particularly the matching of durations between the investment portfolio and insurance liabilities. Additionally, the Group uses cash flow forecasting to actively identify future cash surpluses and shortages to optimise invested cash balances and limited unexpected sales of investment assets.

7.2.3.3 Budget risk

As outlined in Note 7.2.1, the Group develops, maintains and monitors performance against the annual Corporate Plan and Budget in order to mitigate the potential negative impacts to the Group's profitability and other key financial metrics. This includes preparing, monitoring and reporting on detailed budgets, which have been developed at a granular level and in line with key performance metrics to monitor performance. The Group also has robust forecast capabilities and conducts frequent discussions with senior leadership to allow rectification/adjustment to budgets where necessary.

7.2.3.4 Credit risk

Credit risk is the potential for losses from counterparties failing to fulfil their financial obligations to the Group. Credit risk generally arises from investment activities, reinsurance activities and dealings with any intermediaries. The Group has a Credit Risk Policy which is approved by the Board and reviewed on a regular basis.

Investments
The Group is exposed to credit risk from investments where it holds debt and securities issued by companies and Federal and State Governments. The Group has set limits to specific investments which are described in the Financial and Investment Overarching Policy, Investment Policy and Risk Appetite Statement and are monitored and assessed at regular intervals. Breaches of any investment limits are reported in accordance with policies and procedures

Note 7 Risk management (continued)

Note 7.2 The Group's material risks (continued)

7.2.3.4 Credit risk (continued)

Reinsurers
The Group purchases reinsurance based on an evaluation of the reinsurers' financial strength, including its credit rating, length and quality of relationship with the Group, pricing, the Group's risk appetite limits and the specific expertise of the reinsurer. On appointment, the Group requests terms and conditions from reinsurers, which address coverage and price and then reinsurers respond with an offer to underwrite a percentage of the programme or layer at a selected price and with certain conditions.

The financial probity of reinsurers is determined with the assistance of Ecclesiastical Insurance Office Plc Group Reinsurance Security Committee, which performs regular analysis of reinsurers' credit ratings and performance against certain criteria.

The Risk Appetite Statement requirements are monitored and reported to the Risk and Compliance Committee. Given the importance of the Group's reinsurance programme to provide adequate cover, reinsurer relationships are closely monitored in order to detect any change in attitude, appetite or approach, and mitigate any potentially negative effects.

Reinsurance recoveries receivable within reinsurance contract assets and insurance premiums receivable within insurance contract liabilities are analysed in the table in Note 4.6.4 using the Group's credit risk rating. The table represents credit risk exposure of the Group, which equals the maximum exposure to credit risk considering the ability to set off, where applicable, under the insurance and reinsurance contracts. The concentration of credit risk has not significantly changed compared to the prior year.

Brokers
The Group limits its exposure to credit risk from brokers by setting and monitoring counterparty limits through its Risk Appetite Statement. Adherence to the limits are monitored on a regular basis. Furthermore, the Group monitors aged or outstanding balances by broker via regular reporting and will cancel or lapse overdue policies that the Group does not consider to be recoverable.

Note 7.2.4 Operational risk

The Group's exposure to operational risk incorporates information, marketing, continuity, data management, business planning, compliance and outsourcing. The material operational risk exposures include:

- Significant disruption to the Group's operations as a result of a cyber-incident or data breach.
- Delays in implementation and/or defects impacting on the effectiveness and functionality of insurance and financial systems.
- Data integrity issues within the insurance and financial systems leading to erroneous business decisions.
- Failure to adequately embed, manage and monitor compliance obligations, leading to breaches.

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Note 7 **Risk management (continued)**

Note 7.2 **The Group's material risks (continued)**

Note 7.2.4 *Operational risk (continued)*

Management of the Group's operational risk centres on ensuring robust business systems, processes and data governance are appropriately maintained. Key mitigation strategies include the following:

- The Group's business systems are a combination of technology solutions, work flows and operating procedures. Assessing the design and effectiveness of controls is embedded in the Group's risk management framework and regularly reported to the Board and the Group's parent through a suite of key performance and risk indicators.
- The Group has developed a business continuity management framework that includes disaster and pandemic responses, cyber incident management and contingency plans. Business continuity tests are performed periodically with outcomes reported to the Chief Executive Officer and the Risk and Compliance Committee.
- In accordance with the Group's Outsourcing Policy, key controls for mitigating outsourcing risk include thorough due diligence when selecting service providers, agreeing appropriate contractual arrangements, monitoring performance and ensuring robust business continuity arrangements are in place and regularly tested.
- The Financial Crime Policy addresses the risks of both internal and external fraud. It sets out the overarching controls to mitigate fraud and the processes for investigating suspected fraudulent activity.
- High importance is placed on data governance and security. Controls include intrusion protection and detection systems, server patching and testing, Domain Name System filtering, vulnerability testing, data asset management, policies, procedures and staff training. Furthermore, the Group has an established Data Governance Committee and Data Strategy, detailing required data infrastructure, taxonomy and future plans. Additionally, the Group nominates Data Owners within each substantive team, who are responsible for the data their team produces and uses.
- Internal audits are conducted as per the Internal Audit Plan approved by the Audit Committee. This ensures internal controls are evaluated to determine compliance with laws and regulations.
- The Board and the Group's parent set the tone for ethical leadership and conduct across the business. Management reporting is designed to provide early warning of any weaknesses in risk controls.
- High importance is placed on maintaining and reporting compliance with regulatory obligations. A comprehensive compliance management framework is in place, supported by a three lines of defence approach to compliance monitoring.

Note 7.2.5 *People & Culture risk*

The Group's exposure to people & culture risk incorporates staff conduct, vacancy and recruitment, leadership and development, and wellbeing and engagement. The material risk exposures include an absence of strong leadership, employee value proposition and robust work practices and controls. This may result in the Group failing to recruit, engage and retain employees with requisite expertise to deliver Budget and Corporate Plan initiatives.

The Group prioritises a strong culture and the ongoing health, safety and wellbeing of all employees. Key mitigation strategies include the following:

- Policies, processes and procedures are in place to identify and manage operational risks involving employees, including contractors and third parties. This is overseen by the Human Resources Department and includes sourcing, selecting recruiting, development and retaining staff with the necessary skills and expertise.
- Leadership programs, succession planning and a talent framework to create a sustainable workforce for the future and reduce reliance on key personnel. This is supported by fit-for-purpose position descriptions to ensure the right people are recruited for the business' needs.
- Ensuring employees and contractors have access to a safe workplace environment, including modern office spaces, flexible working arrangements and ergonomic assessments for work and home offices.
- Staff leadership, training and engagement programmes are well established and regularly reviewed.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 8 Other receivables

	2023 $'000	2022 $'000
Prepaid expenses	5,426	5,831
Non-trade receivables	4,669	3,237
Unsecured amount owing by holding company	7,524	9,539
Total other receivables	**17,619**	**18,607**
Current	13,640	15,734
Non-current	3,979	2,873
Total other receivables	**17,619**	**18,607**

Note 9 Income taxation

	2023 $'000	2022 $'000
Income taxation expense/(benefit) comprises:		
Deferred taxation expense/(benefit) – current year	36	1,188
Deferred taxation benefit – prior years	-	-
Total income taxation expense/(benefit)	**36**	**1,188**
Profit/(loss) before income taxation	**1,000**	**3,052**
Income taxation expense/(benefit) calculated at 30%	300	916
Remeasurement of loan to Canterbury Earthquake Church and Heritage Trust	(70)	273
Non-deductible expenses	24	15
Research & Development (R&D) benefit	(218)	-
Other	-	(16)
Total income taxation expense/(benefit)	**36**	**1,188**

The taxation rate used for the taxation rate reconciliation above is the corporate taxation rate of 30% payable by Ansvar on taxable income under Australian taxation law.

Note 9 Income taxation (continued)

Temporary differences
Taxable and deductible temporary differences arise from the following:

	Company and Consolidated					
	2023			2022		
	Opening balance $'000	(Charged)/ credited to income $'000	Closing balance $'000	Opening balance $'000	Credited/ (charged) to income $'000	Closing balance $'000
Gross deferred taxation liabilities						
Revenue receivable	(287)	(261)	(548)	-	(287)	(287)
Unrealised gains/losses on fixed interest securities	-	-	-	(517)	517	-
Prepayments	(37)	12	(25)	(31)	(6)	(37)
AASB17 adjustment	(1,215)	552	(663)	(600)	(615)	(1,215)
Total	**(1,539)**	**303**	**(1,236)**	**(1,148)**	**(391)**	**(1,539)**
Gross deferred taxation assets						
Provisions	1,041	67	1,108	1,023	18	1,041
Doubtful debts allowance	60	(60)	-	49	11	60
Indirect claims settlement costs	3,422	(26)	3,396	3,165	257	3,422
Purchased interest	96	21	117	96	-	96
Unrealised gains/losses on fixed interest securities	3,945	(2,243)	1,702	-	3,945	3,945
R&D tax credits	1,692	399	2,091	1,692	-	1,692
Software write-off	74	(25)	49	123	(49)	74
Assessable losses	202	1,188	1,390	5,198	(4,996)	202
Other	195	340	535	178	17	195
Total	**10,727**	**(339)**	**10,388**	**11,524**	**(797)**	**10,727**
Net deferred taxation asset comprises:						
Deferred taxation liability			(1,236)			(1,539)
Deferred taxation asset			10,388			10,727
Net deferred taxation asset			**9,152**			**9,188**

As at balance date, the bill to align Australian taxation law to AASB 17 had not passed through Parliament. As the legislation was not substantively enacted at year-end, any transitional adjustments have been recognised in deferred tax until the transition arrangements have been confirmed. This has no impact on the income statement.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 10 Property, plant & equipment

	Furniture and fittings $'000	Office & IT Equipment $'000	Leasehold Improvements $'000	Total $'000
	Company and Consolidated			
Cost				
Balance at 31 December 2021	**56**	**1,000**	**-**	**1,056**
Additions	-	243	-	243
Balance at 31 December 2022	**56**	**1,243**	**-**	**1,299**
Additions	401	251	1,270	1,922
Disposals	(25)	-	-	(25)
Balance at 31 December 2023	**432**	**1,494**	**1,270**	**3,196**
Accumulated depreciation				
Balance at 31 December 2021	**(32)**	**(808)**	**-**	**(840)**
Depreciation expense	(4)	(155)	-	(159)
Balance at 31 December 2022	**(36)**	**(963)**	**-**	**(999)**
Depreciation expense	(9)	(160)	(26)	(195)
Disposals	6	-	-	6
Balance at 31 December 2023	**(39)**	**(1,123)**	**(26)**	**(1,188)**
Net book value				
At 31 December 2022	**20**	**280**	**-**	**300**
At 31 December 2023	**393**	**371**	**1,244**	**2,008**

Note 11 Leases

(a) Right-of-use assets

	Property $'000	Copiers $'000	Motor vehicles $'000	Total $'000
	Company and Consolidated			
Cost				
Balance at 31 December 2021	**3,508**	**58**	**139**	**3,705**
Additions	322	4	-	326
Disposals	(2,832)	-	-	(2,832)
Balance at 31 December 2022	**998**	**62**	**139**	**1,199**
Additions	3,731	-	-	3,731
Disposals	(250)	(62)	(139)	(451)
Lease incentive	(500)	-	-	(500)
Balance at 31 December 2023	**3,979**	**-**	**-**	**3,979**
Accumulated depreciation				
Balance at 31 December 2021	**(2,466)**	**(44)**	**(97)**	**(2,607)**
Depreciation expense	(791)	(17)	(30)	(838)
Disposals	2,832	-	-	2,832
Balance at 31 December 2022	**(425)**	**(61)**	**(127)**	**(613)**
Depreciation expense	(899)	(1)	(10)	(910)
Disposals	219	62	137	418
Balance at 31 December 2023	**(1,105)**	**-**	**-**	**(1,105)**
Net book value				
At 31 December 2022	**573**	**1**	**12**	**586**
At 31 December 2023	**2,874**	**-**	**-**	**2,874**

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 11 Leases (continued)

(b) Lease liabilities are payable as follows:

	Company and Consolidated		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**
2023	**$'000**	**$'000**	**$'000**
Current	755	(135)	620
1-5 years	3,562	(190)	3,372
Balance at 31 December 2023	**4,317**	**(325)**	**3,992**
2022			
Current	280	(7)	273
1-5 years	353	(5)	348
Balance at 31 December 2022	**633**	**(12)**	**621**

Note 12 Other payables and liabilities

	2023	**2022**
	$'000	**$'000**
Deposits from reinsurers	24,184	27,951
Indirect taxation payable	8,000	7,236
Sundry creditors and accruals	2,924	3,115
Total other payables and liabilities	**35,108**	**38,302**
Current	10,924	10,351
Non-current	24,184	27,951
Total other payables and liabilities	**35,108**	**38,302**

Note 13 Provisions

	Company and Consolidated			
	Employee benefits	**Other employee provisions**	**Provision for make good**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 31 December 2021	**2,304**	**968**	**138**	**3,410**
Additional provision recognised	1,166	657	76	1,326
Provision utilised during the year	(820)	(968)	(52)	(1,267)
Balance at 31 December 2022	**2,650**	**657**	**162**	**3,469**
Additional provision recognised	1,126	1,168	-	2,294
Provision utilised during the year	(1,323)	(772)	-	(2,095)
Balance at 31 December 2023	**2,452**	**1,054**	**162**	**3,668**
2023				
Current	1,688	1,054	162	2,903
Non-current	764	-	-	765
Total provisions at 31 December 2023	**2,452**	**1,054**	**162**	**3,668**
2022				
Current	1,565	657	26	2,248
Non-current	1,085	-	136	1,221
Total provisions at 31 December 2022	**2,650**	**657**	**162**	**3,469**

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 14 Share capital

	Note	Company and Consolidated 2023	2022
Issued share capital 46,300,000 ordinary shares each fully paid (2022: 46,300,000)		46,300	46,300

Ordinary shares carry the right to dividends and one vote per share. No ordinary shares were issued to the shareholder during the current financial year (2022: 9,000,000).

Note 15 Other income

	Note	Company and Consolidated 2023	2022
Management services fees credited/(charged) to income		870	958
Remeasurement of loan to Canterbury Earthquake Church and Heritage Trustee Limited		235	(910)
Commission income		860	557
Sundry income		51	203
Total other income		**2,016**	**808**

Note 16 Contingent assets and contingent liabilities

Ansvar has a bank guarantee facility totalling $1,127,921 (2022: $1,227,951) which comprises an undertaking by the bank pursuant to agreements for leased office premises in the event of extinguishing liabilities if necessary. The unused amount of the facility at 31 December 2023 is $1,127,921 (2022: $1,227,951).

Note 17 Related parties

Ansvar's related parties fall into the following categories:

Controlled entities
Information relating to the controlled entities is set out in Note 18.

Holding companies
The ultimate holding company in the wholly-owned group is Benefact Trust Limited (previously AllChurches Trust Limited), incorporated in the United Kingdom. The immediate holding company of the Group is Ecclesiastical Insurance Office Plc, incorporated in the United Kingdom.

Directors
Refer to the Directors' Report for details of Ansvar's Directors during the current financial year. S. Jacinta Whyte was an executive Director of Ecclesiastical Insurance Office Plc, Ansvar's immediate holding company, and the Deputy Group Chief Executive of Benefact Group Plc, during the current financial year. Warren Hutcheon was Chief Executive Officer and a Director of ACS (NZ) Limited (ACS), Ansvar's former subsidiary domiciled in New Zealand, during the current financial year.

Other transactions with Directors or their related entities
Ansvar provides services to ACS under a management services agreement in exchange for a fee of NZD 3,000K (2022: NZD 3,000K). This is payable to Ansvar once ACS has settled all claims and the entity is wound up, provided there are surplus net assets as outlined in the agreement. The Group assessed that there would be sufficient surplus net assets in ACS to recognise the full amount as receivable in 2023 (2022: 50% recognised due to uncertainty over portfolio transfer). The fees have an expected payment date of 30 June 2029. The impact to the income statement is due to the unwind of interest under the effective interest method.

Ansvar provides a loan to ACS' parent, Canterbury Earthquake Church and Heritage Trust (the Trust) of NZD 3,000K (2022: NZD 3,000K). The loan is interest-free and becomes due and payable once the Trust has sufficient liquid net assets out of which it can repay the loan, which will be available once ACS is wound up and the remaining net assets transferred to the Trust. As at 31 December 2023, the Trust does not have sufficient liquid net assets to repay the loan, hence, the loan is not callable. The Group considers the full amount to be recoverable as at 31 December 2023. The impact to the income statement is due to the unwind of interest under the effective interest method.

Details of the impact on the profit/loss before income taxation can be found in Note 15.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 17 Related parties (continued)

In the normal course of business, Ansvar incurs certain expenses which are recharged to ACS. There were no other transactions between the entities during the year.

Wholly-owned group
The wholly-owned group consists of Benefact Trust Limited (previously AllChurches Trust Limited) and its wholly-owned controlled entities, including Ansvar and its controlled entities. Ansvar's ownership interest in its controlled entities is set out in Note 18.

Ansvar entered into the following transactions with its holding company:

		Company and Consolidated	
	Note	2023 $'000	2022 $'000
Income			
Amounts recovered from reinsurance		9,480	14,348
Expenses			
Interest on collateral		572	407
Reinsurance premium incurred		9,844	9,096
Information Technology expense recharges		223	112
Other expense recharges		392	8
Other items			
Ordinary share capital issued	14	-	9,000

The above transactions were entered into on commercial terms and conditions and at market rates.

Aggregate amounts receivable from/(payable to) entities in the wholly-owned group at the balance sheet date were as follows:

	2023 $'000	2022 $'000
Current		
Unsecured amount owing by/(to) holding company	7,524	9,539

On 1 January 2022, Ansvar entered into a whole of account stop loss reinsurance contract with Ecclesiastical Insurance Office Plc, which was renewed on 1 January 2023. The stop loss reinsurance cover protects against the Group's current year profit before income taxation from falling below $1,000K, up to a reinsurance limit of $20,000K. In return, a profit share of 50% is payable to the reinsurer where the Group's current year profit before income taxation is in excess of Ansvar's budgeted profit before income taxation. As the Group has made a loss before income tax of $3,756K (prior to the stop loss) during the year, the stop loss arrangement has been utilised to ensure a profit before tax of $1,000K and a receivable of $4,756K has been recognised under this arrangement.

Note 18 Controlled entities

EA Insurance Services Pty Limited was incorporated in Australia on 28 February 2013. On this date, Ansvar Insurance Limited purchased 100% of the share capital of 1,000 shares for $100. In October 2014, EA Insurance Services Pty Limited changed its name to Ansvar Insurance Services Pty Limited. Ansvar Insurance Limited owns 100% of the share capital of Ansvar Insurance Services Pty Limited at 31 December 2023 (2022: 100%). Ansvar Insurance Services Pty Limited did not enter into any transactions during the current financial year (2022: None).

Ansvar Insurance Limited purchased 100% of the share capital of 500,000 shares of Ansvar Risk Management Services Pty Limited shares from Ecclesiastical Insurance Office Plc for $10,000 on 31 December 2021. Ansvar Risk Management Services Pty Limited became dormant on 31 December 2020.

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 19 Unaudited APRA capital adequacy

The table below sets out Ansvar's Regulatory Capital, Prescribed Capital Amount and Prescribed Capital Amount Coverage Ratio calculated in accordance with APRA's Prudential Standards.

		Company and Consolidated	
	Note	2023 $'000	2022 $'000
Net Assets		106,095	102,294
Less: Regulatory Adjustments		1,510	(4,517)
Total Regulatory Capital		**107,605**	**97,777**
Prescribed Capital Amount			
Insurance Risk Charge		31,615	27,636
Insurance Concentration Risk Charge		5,384	5,331
Asset Risk Charge		16,776	16,594
Operational Risk Charge		5,767	5,335
Less: Aggregation Benefit		(10,201)	(9,799)
Total Prescribed Capital Amount		**49,341**	45,097
Prescribed Capital Amount Coverage Ratio		**2.18**	**2.17**

Note 20 Reconciliation of profit/(loss) after income taxation to net cash flows from operating activities

	2023 $'000	2022 $'000
Profit/(loss) after income taxation	**964**	**1,864**
Adjustments for:		
Depreciation of property, plant & equipment	195	159
Depreciation of lease right-of-use assets	910	838
Interest received	(8,066)	(5,429)
Realised losses/(gains) on disposal of investments	354	224
Unrealised losses/(gains) on investments	(7,477)	14,875
Investment management fee	334	316
Decrease/(increase) in current taxation asset	(842)	-
Decrease/(increase) in deferred taxation asset	36	1,188
Changes in operating assets and liabilities:		
Decrease/(increase) in other receivables	988	(10,112)
Decrease/(increase) in reinsurance contract assets	31,361	(28,796)
(Decrease)/increase in other payables	(3,194)	3,818
Increase in provisions	199	59
(Decrease)/increase in insurance contract liabilities	(12,614)	21,021
Decrease in adjustment on transition to AASB17	600	-
Net cash flow from operating activities	**3,748**	**25**

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2023

Note 21 Subsequent events

There has not been any matter or circumstance that has occurred between the balance sheet date and the date of this report that has significantly affected, or may significantly affect, the Group's and the Company's operations in future financial years, the results of those operations or the Group's and the Company's state of affairs in future financial years.

Note 22 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

The aggregate compensation of the Group's key management personnel is set out below.

	Company and Consolidated	
	2023	**2022**
	$'000	**$'000**
Short term employee benefits	4,076	3,383
Long term employee benefits	148	-
Superannuation benefits	328	259
Termination benefits	138	-
Total	**4,690**	**3,642**

The comparative figures in the above note have been restated to reflect minor updates in compensation expenses, the impact of which is not material.

Note 23 Remuneration of auditors

	2023	**2022**
	$	**$**
Auditor of the Group		
Audit of financial statements	341,361	249,243
Other services(i)	409,115	148,579
	740,476	**397,822**

(i) Includes engagements required by the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission and the New South Wales Government, and assurance over the implementation of *AASB 17 Insurance Contracts* in PricewaterhouseCoopers' capacity as external auditor.

The current and comparative figures in the above note have been restated to reflect the fees agreed in the signed audit engagement letter.

Contact us at 1300 650 540 or insure@ansvar.com.au.
Or visit our website at ansvar.com.au to find out more information.

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