



2023

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The Board of Directors of Aioi Nissay Dowa Insurance Company Australia Pty Ltd (the Company) have the pleasure of presenting the financial reports of the Company for the 12 months ended 31 December 2023.

## Board of Directors

The Directors of the Company during the financial year, and until the date of this report, are



### Mr P E Daly AM – Chairman and Non-Executive Director

Mr P E Daly was appointed as the Chairman of the Board on 25 August 2008. Mr Daly was the inaugural Chairman of the Financial Ombudsman Service Limited retiring on 1 June 2009, the Chairman of HDI-Gerling Australia Insurance Co Limited retiring on 31 December 2010 and the Chairman of Australian Landscape Trust.

Mr Daly came to Australia in 1980 from South Africa and was appointed the Chief Executive and Managing Director of Norwich Winterthur Group in 1983. He has held a number of Directorships since then, was President of the Insurance Council of Australia from 1986 to 1987 and Chief Executive Officer from 1991 to 1997. He was previously the Deputy Chairman of the Zoological Parks and Gardens Board.

On 14 March 2004 he was awarded the Order of Australia for services to the insurance industry and to the community, particularly through the advancement of external dispute resolution and consumer protection.

Mr Daly ceased as Chairman and Non-Executive Director of the Company on 31 December 2023 until which he was the Chairman of the Remuneration & Nominations and Investment Committees and a member of the Audit and Risk & Compliance Committees.



### Ms S Freeman – Chairperson and Non-Executive Director

Ms Freeman joined the Board as a non-executive director on 24 November 2022. Ms Freeman is a member of the Audit, Risk & Compliance, Investment and Remuneration & Nominations Committees. Ms Freeman is also a non-executive Director at Eastern Health, Regional Investment Corporation, Melbourne Football Club, Suburban Rail Loop Authority and ASX-listed Netwealth Group Ltd and Netwealth Superannuation Services.

Ms Freeman's executive career comprised over 30 years' experience in the Accounting and Consultancy industries culminating in number of leadership roles with KPMG including Global Executive - Risk Consulting, Australia Managing Partner Risk Consulting, Partner in charge Board Advisory and Managing Partner Internal Audit. She is a Fellow of the Institute of Chartered Accountants, the Graduate of Australian Institute of Company Directors, and a member of Chief Executive Women.

Ms Freeman was appointed as Chairperson of the Company on 1 January 2024.

Ms Freeman was also appointed as Chairperson of the Remuneration & Nominations Committee on 25 January 2024 and is also a member Audit and Risk & Compliance Committees.



### **Mr D Cullen – Director and Chief Executive Officer**

Mr D Cullen has over 25 years' experience in the Insurance industry working across banking, intermediated distribution and direct to consumer insurance models. Prior to joining Adica, Mr Cullen has held senior management roles at QBE, NAB, and ANZ with responsibility for large scale insurance programs across both personal and commercial lines.

During Mr Cullen's career, he has also led a start-up general insurance company into the Australian market as well as experience with global insurer AIG.

Mr Cullen also holds the position of Chair of the Rural Financial Counselling Service Board in Victoria.

Mr Cullen joined Adica in July 2020 in the role of Chief Executive Officer and was appointed as Director to the Board in November 2021.



### **Mr K M Forder – Non-Executive Director**

Mr K M Forder joined the Board as a non-executive director on 23 July 2009. He is also a director of insurance specialist advisory and services companies Littlewoods Services Pty. Ltd. and Insevo Pty. Ltd.

Mr Forder is a qualified Chartered Accountant and has over 25 years' experience in the general insurance industry including previous roles at Ernst & Young, Gerling Global Reinsurance Company of Australia and Littlewoods Services.

Mr Forder is the Chairman of the Audit Committee.

Mr Forder ceased as Chairman of the Risk & Compliance Committee on 25 January 2024, and remains a member of the Risk & Compliance and Remuneration & Nominations Committees.



### **Mr T Miyadera – Executive Director and Chief Co-Ordinator Executive**

Mr T Miyadera joined the Board as an executive director on 1 April 2023.

Mr Miyadera is the Chief Co-ordinator Executive of Aioi Nissay Dowa Insurance Company Australia Pty Ltd.

He is also a non-executive director of Aioi Nissay Dowa Management New Zealand Ltd. Mr Miyadera has worked in Aioi Nissay Dowa Insurance Company for over 25 years.

Mr T Miyadera was appointed director of the Company on 1 April 2023.



### **Mr Y Kubota – Non-Executive Director and SOOA**

Mr Y Kubota joined the Board as a non-executive director on 1 April 2023.

Mr Kubota is the group Leader of the Global Business Department at Aioi Nissay Dowa Insurance Company Limited, responsible for operations in Oceania Pacific, Europe and the US.

Mr Y Kubota was appointed director of the Company on 1 April 2023.

Mr Kubota is a member of the Audit, Risk & Compliance and Remuneration & Nominations Committees.

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### **Mr J C Richardson OAM – Non-Executive Director**

Mr Richardson joined the Board as a non-executive director on 1 October 2013. He is also a director and Chairman of Aioi Nissay Dowa Management New Zealand Ltd. Mr Richardson has worked in the insurance industry for over 40 years, holding senior roles within Marsh, Guy Carpenter and other Marsh & McLennan Companies entities.

On 9 June 2014 Mr Richardson was awarded the Order of Australia for services to the insurance industry and to the community.

Mr Richardson was appointed as Chairman of the Risk & Compliance Committee on 25 January 2024 and is a member of the Audit and Remuneration & Nominations Committees.



### **Mr T Kobayashi – Executive Director and Chief Co-Ordinator Executive –**

Mr T Kobayashi joined the Board as an executive director on 1 April 2018.

Mr T. Kobayashi ceased as Executive Director and Chief Co-Ordinating Executive on 31 March 2023.



### **Mr S Ogura – Non-Executive Director and SOOA**

Mr S Ogura joined the Board as a non-executive director on 1 April 2018.

Mr Ogura is the incumbent general manager of Global Business Department of Adica's sole parent, Aioi Nissay Dowa Insurance Company Limited, domiciled in Tokyo, Japan and in charge of development and administration of businesses outside Japan.

Mr S Ogura ceased as Company Director on 31 March 2023.

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The Company Secretary of the Company during the financial year, and until the date of this report, are



### **Mr J A Dick PMIIA GradCert IIA – Company Secretary**

Mr J Dick was appointed Company Secretary on 2 August 2021 having performed the role of Internal Audit Manager from 7 September 2015.

Mr Dick is a Professional member of the Institute of Internal Auditors of Australia having completed the Graduate Certificate of Internal Auditing. Mr Dick has over 15 years of experience in the insurance industry in Australia.

Mr Dick ceased as Company Secretary on 31 December 2023.



### **Mr J Ames – Company Secretary**

Mr J Ames was appointed Company Secretary on 1 January 2024.

Mr Ames joined the Company in June 2019 and holds the position of Head of Legal. He is a dual-qualified lawyer having previously practiced in Northern Ireland.

## Meetings of Directors

The number of meetings of the Board of Directors and Board Committees during the year, and attendance by directors at those meetings, are listed below.

Director	Board	Audit	Risk & Compliance	Remuneration & Nomination	Investment ***
<i>Held</i>	8	6	4	5	4
<i>Attended</i>					
<i>Mr. P E Daly AM</i>	8	6	4	5	4
<i>Ms. S Freeman</i>	8	5	3	4	3
<i>Mr. D Cullen</i>	8	**	**	**	**
<i>Mr. K Forder</i>	8	6	4	5	4
<i>Mr. Y Kubota</i>	5	4	3	3	2
<i>Mr. T Miyadera</i>	6	**	**	**	**
<i>Mr. J Richardson OAM</i>	7	6	4	5	4
<i>Mr. T Kobayashi*</i>	2	**	**	**	**
<i>Mr. S Ogura*</i>	2	2	1	2	1

\* Mr. T Kobayashi and Mr S Ogura ceased as directors on 31 March 2023. \*\* Not a member of the committee. \*\*\* The Investment Committee was dissolved on 21 February 2024, with Investment Committee matters now captured in the Board standing agenda.

## Directors' benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 34).

## Principal activities

The Company's principal activities during the year were underwriting general insurance and managing the Australian branch of Aioi Nissay Dowa Insurance Co., Ltd, a licensed general insurer incorporated in Japan.

## Dividend

No dividends were declared or paid during the year.

## Review of operations

The Company generated a profit before tax of \$3,333,172 (2022 restated: \$5,336,064), which includes management fee income of \$102,375 (2022: \$234,625). After allowing for a tax expense of \$1,022,075 (2022 restated: \$1,636,385), the Company generated an after tax profit of \$2,311,097 for the year ended 31 December 2023 (2022 restated: \$3,699,679).

## Significant changes in the state of affairs

There were no significant changes in the Company's state of affairs other than those referred to in the financial statements or attached notes.

## Subsequent events after the balance date

There has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations, or state of affairs of the consolidated entity in future financial years.

## Likely developments and future results

Further information on likely developments in the operations of the Company have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

## Liability for Incurred Claims

Measurement of the liability for incurred claims is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.

The liability for incurred claims is determined after consultation with the Appointed Actuary.

The liability for incurred claims assessment takes into account statistical analysis of past claims, allowance for claims incurred but not reported, recoveries and the effect of the time value of money and the effect of financial risk, as well as future interest and inflation factors. As required by AASB 17 Insurance Contracts (AASB 17), in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment.

The directors consider that an adequate risk adjustment is required in addition to actuarial central estimates to cover uncertainties such as insurance risk, lapse risk and expense risk. The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 57th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 57<sup>th</sup> percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The directors are satisfied that the Company's liability for incurred claims fulfils this requirement.

## Indemnification of Directors, Officers and Auditors

The Company indemnifies current and former Directors and officers for any loss arising from any claim by reason of any wrongful act committed by them in their capacity as a director or officer (subject to certain exclusions as required by law). During the 2023 financial year, the Company paid \$70,525 in premium for Directors and Officers Liability insurance. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such by an officer or auditor.



## Capital adequacy of the Company

	2023 \$'000	2022 \$'000
<b>A. Common Equity Tier 1 Capital</b>		
Paid-up ordinary shares	87,800	87,800
Retained earnings	2,171	(7,628)
Undistributed current year earnings	2,311	6,700
Net surplus / (deficit) relating to outstanding claims liabilities	(10,600)	-
Net surplus / (deficit) relating to premium liabilities after regulatory adjustments	6,217	(3,077)
Plus/(Minus): Regulatory adjustments to Common Equity Tier 1 Capital	(5,449)	(5,463)
<b>Total Common Equity Tier 1 capital (CET1 capital)</b>	<b>82,450</b>	<b>78,332</b>
<b>B. Additional Tier 1 Capital</b>	-	-
<b>Total Tier 1 Capital</b>	<b>82,450</b>	<b>78,332</b>
<b>C. Tier 2 Capital</b>	-	-
<b>Total Regulatory Capital</b>	<b>82,450</b>	<b>78,332</b>
<b>D. Prescribed Capital Requirement (PCR)</b>		
Insurance risk charge	18,770	15,198
Insurance concentration risk charge	8,000	5,448
Asset risk charge	8,691	7,304
Asset concentration risk charge	-	-
Operational risk charge	9,136	6,062
Aggregation benefit	(5,708)	(4,713)
<b>Total PCR</b>	<b>38,889</b>	<b>29,299</b>
<b>PCR Coverage</b>	<b>2.12</b>	<b>2.67</b>

The Company's 2022 Capital Adequacy has not been restated and is as lodged with APRA.

The Regulatory adjustments to Common Equity Tier 1 Capital for accounts receivables and accounts payable are new additions to the calculation of Total Common Tier 1, to compensate for the determination of Insurance Liabilities under AASB 17.

### Rounding amounts

The Company meets the criteria set out in the Australian Securities and Investments Commission's (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that Instrument, amounts in the Financial Report and the Directors' Report have been rounded off to the nearest thousand dollars (\$'000) unless otherwise stated.

### Declaration from auditors

The directors have received a declaration from the auditor of the Company as required under section 307C of the Corporations Act 2001 as attached after the Directors' Report.

This report is signed in accordance with a resolution of the Board of Directors.



Ms Sally Freeman

Chairperson and Non-Executive Director

Signed in Melbourne this 26<sup>th</sup> of March 2024



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## Auditor's Independence Declaration to the Directors of Aioi Nissay Dowa Insurance Company Australia Pty Ltd

As lead auditor for the audit of the financial report of Aioi Nissay Dowa Insurance Company Australia Pty Ltd for the financial year ended 31 December 2023, I declare 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Hayley Watson  
Partner  
26 March 2024

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# Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2023

		2023	2022 restated
		\$'000	\$'000
Insurance revenue	7a	261,523	203,300
Insurance service expense	7b	<u>(243,064)</u>	<u>(177,394)</u>
<b>Insurance service result before reinsurance contracts held</b>		<b><u>18,459</u></b>	<b><u>25,906</u></b>
Allocation of reinsurance premiums	7c	(52,324)	(27,832)
Amounts recoverable from reinsurers for incurred claims	7d	<u>35,808</u>	<u>11,085</u>
<b>Net expense from reinsurance contracts held</b>		<b><u>(16,516)</u></b>	<b><u>(16,747)</u></b>
<b>Insurance service result</b>		<b>1,943</b>	<b>9,159</b>
Interest revenue calculated using the effective interest method	8	<u>7,559</u>	<u>2,389</u>
<b>Total investment income</b>		<b><u>7,559</u></b>	<b><u>2,389</u></b>
Insurance finance income/(expenses) for insurance contracts issued	8	(11)	86
Reinsurance finance expense for reinsurance contracts held	8	<u>(3)</u>	<u>(32)</u>
<b>Net insurance financial result</b>		<b><u>9,488</u></b>	<b><u>11,602</u></b>
Other expenses	10	(6,311)	(6,554)
Fee and other income	9	<u>156</u>	<u>288</u>
<b>Profit/(loss) before income tax</b>		<b><u>3,333</u></b>	<b><u>5,336</u></b>
Income tax benefit/(expense)	11	<u>(1,022)</u>	<u>(1,636)</u>
<b>Net profit/(loss) for the period</b>		<b><u>2,311</u></b>	<b><u>3,700</u></b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total Comprehensive Income/(Loss)</b>		<b><u>2,311</u></b>	<b><u>3,700</u></b>

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

2022 figures have been restated to reflect the application of AASB 17 Insurance Contracts and AASB 9 Financial instruments.

# Statement of Financial Position

	Note	As at 31 December		As at 1
		2023	2022	January
			Restated	2022
		\$'000	\$'000	Restated
				\$'000
<b>ASSETS</b>				
Cash and cash equivalents	12	58,493	54,946	99,980
Other receivables	13	10,191	8,182	9,488
Investment assets	14	122,500	105,900	58,500
Current tax assets		3,605	1,365	-
Insurance contract assets	15	-	-	-
Reinsurance contract assets	15	14,775	792	8,372
Property, plant, and equipment	16	1,350	1,333	2,370
Right-of-use assets	17	2,226	4,366	4,173
Deferred tax assets	11	3,113	4,135	3,703
Other assets		874	1,142	-
<b>Total assets</b>		<b>217,127</b>	<b>182,161</b>	<b>186,586</b>
<b>LIABILITIES</b>				
Other payables	18	14,996	17,488	15,906
Current tax liabilities		-	-	2,148
Insurance contract liabilities	15	101,686	64,530	73,668
Reinsurance contract liabilities	15	1,824	815	-
Lease liabilities	19	2,351	4,534	4,326
Employee benefits provision	20	3,988	4,823	4,267
<b>Total liabilities</b>		<b>124,845</b>	<b>92,190</b>	<b>100,315</b>
<b>Net assets</b>		<b>92,282</b>	<b>89,971</b>	<b>86,271</b>
Contributed equity	21	87,800	87,800	87,800
Accumulated profit/(losses)		4,482	2,171	(1,529)
<b>Total equity</b>		<b>92,282</b>	<b>89,971</b>	<b>86,271</b>

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

2022 figures have been restated to reflect the application of AASB 17 Insurance Contracts and AASB 9 Financial instruments.

# Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Issued Share Capital \$'000	Accumulated Profit / (Losses) \$'000	Total Equity \$'000
<b>Equity as at 31 December 2021, as previously reported</b>		<b>87,800</b>	<b>(7,628)</b>	<b>80,172</b>
Impact of transitioning to AASB 17	2 (c)	-	6,099	6,099
Impact of transitioning to AASB 9	2 (d)	-	-	-
<b>Restated 1 January 2022</b>		<b>87,800</b>	<b>(1,529)</b>	<b>86,271</b>
Restated Profit/(Loss) for the period		-	3,700	3,700
<b>Restated Equity as at 31 December 2022</b>		<b>87,800</b>	<b>2,171</b>	<b>89,971</b>
Profit/(loss) for the period		-	2,311	2,311
<b>Equity as at 31 December 2023</b>		<b>87,800</b>	<b>4,482</b>	<b>92,282</b>

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

The 2022 figures have been restated to reflect the application of AASB 17 Insurance Contracts and AASB 9 Financial instruments.

# Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 \$'000	2022 Restated \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Premium received		266,527	187,191
Outwards RI paid		(39,321)	(21,875)
Claim and other insurance service expense paid		(178,526)	(146,317)
Reinsurance recoveries received		9,828	13,491
Acquisition costs paid		(32,397)	(24,022)
Management fee received		120	243
Other operating receipt/(payment)		(8,983)	984
Interest received		6,642	1,565
Income tax received/(paid)		(2,240)	(5,581)
<b>Net cash flows from/(used in) operating activities</b>	22	<b>21,650</b>	<b>5,679</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		2	-
Purchase of property, plant and equipment	16	(735)	(1,910)
Purchase of investments		(90,700)	(77,900)
Proceeds from investments		74,100	30,500
<b>Net cash flows from/(used in) investing activities</b>		<b>(17,333)</b>	<b>(49,310)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease liabilities	19	(770)	(1,403)
<b>Net cash flows from/(used in) financing activities</b>		<b>(770)</b>	<b>(1,403)</b>
<b>Net increase in cash</b>		<b>3,547</b>	<b>(45,034)</b>
Cash and cash equivalents at the beginning of the financial period	12	54,946	99,980
<b>Cash and cash equivalents at the end of the financial period</b>	12	<b>58,493</b>	<b>54,946</b>

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

2022 figures have been restated to reflect the application of AASB 17 Insurance Contracts and AASB 9 Financial instruments.



## 1. Corporate information

The financial statements for Aioi Nissay Dowa Insurance Company Australia Pty Ltd (the Company or Adica) for the year ended 31 December 2023 were authorised for issue in accordance with the resolution of the Directors on 26 March 2024.

The Company is a for profit company limited by shares, incorporated and domiciled in Australia. The address of its registered office is Level 17, 412 St Kilda Road Melbourne VIC 3004.

## 2. Accounting policies

The material accounting policies adopted in the preparation of these financial statements are set out below.

### a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Corporations Act 2001 and applicable Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The financial report has been prepared on a going concern and accruals basis, and is based on historical costs unless the application of fair value measurements is required by the relevant accounting standards.

The preparation of financial statements requires the use of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. Furthermore, certain line items have been added in the Statement of Comprehensive Income to conform with better presentation. Any such changes have had no effect on the financial position or performance of the Company.

### b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### c) New accounting standards and interpretations

The following standards and interpretations have been applied for the first time by the Company for the annual reporting period ending 31 December 2023:

Reference	Title	Application Date for Company
AASB 9	Financial instruments	1 January 2023
AASB 17	Insurance Contracts	1 January 2023
AASB2021-2	Amendments to AASs – Disclosure of Accounting Policies and Definition of Accounting Estimates <ul style="list-style-type: none"> <li>▶ Amendments to AASB 7, AASB 101, AASB 134 and AASB Practice Statement 2</li> <li>▶ Amendments to AASB 108</li> </ul>	1 January 2023
AASB 2021-5	Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
AASB 2022-1	Amendments to AASs – Initial Application of AASB 17 and AASB 9 – Comparative Information	1 January 2023
AASB 2022-7	Editorial Corrections to AASs and Repeal of Superseded and Redundant Standards	1 January 2023

In these financial statements, the Company has applied AASB 17 Insurance Contracts (AASB 17) and AASB 9 Financial Instruments (AASB 9) for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Other than the AASB 17, the adoption of the above new or amended standards (including AASB 9) has not had a material impact to the Company's accounting policies or financial statements.

#### d) Accounting standards and interpretations issued but not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ending 31 December 2023, are outlined in the following table:

Reference	Title	Application Date for Company
AASB 2020-1	Amendments to AASs – Classification of Liabilities as Current or Non-current	1 January 2024
AASB 2022-5	Amendments to AASs – Lease Liability in a Sale and Leaseback	1 January 2024

The Australian Accounting Standards and amendments detailed in the table above are not mandatory for the Company until the operative dates stated. Early adoption is however often permitted.

The Company currently plans to adopt the standards and amendments detailed above in the reporting periods beginning on their respective operative dates. They are not expected to have a material impact on the Company's financial statements.

#### AASB 17 Insurance Contracts

AASB 17 replaces AASB 1023 General Insurance Contracts (AASB 1023) for for-profit entities for annual periods on or after 1 January 2023.

The standard introduces a new general model for the recognition and measurement of insurance contracts, with the application of a simplified approach ('the premium allocation approach or PAA', similar to AASB 1023) permitted for short-term contracts with coverage periods within 12 months or for long-term contracts if the liability for remaining coverage under the PAA is not expected to materially differ from the general model.

The Company has restated comparative information for 2022 applying the transitional provisions in Appendix C of AASB 17. The nature of the changes in accounting policies can be summarised, as follows:

## Changes to classification and measurement

The adoption of AASB 17 did not change the classification of the Company's insurance contracts.

AASB 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under AASB 17, the Company's insurance contracts issued, and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model in AASB 17.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under AASB 1023 in the following key areas:

- The liability for remaining coverage reflects premiums received less insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided
- Measurement of the liability for remaining coverage now includes a loss component for onerous contracts, which is calculated including the application of a risk adjustment. The risk adjustment accounts for the inherent uncertainty in the amount and timing of cashflow which arises from non-financial risk.
- Measurement of the liability for incurred claims (previously outstanding claims liability) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk instead of a Risk Margin. The liability includes the Company's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

Similar to AASB 1023, the Company does not expense its insurance acquisition cash flows upon payment and capitalises insurance acquisition cash flows.

The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group.

Where such insurance acquisition cash flows are paid (or where a liability has been recognised by applying another AASB standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

## Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the AASB 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line-item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Premium revenue
- Outwards reinsurance premium expense
- Gross claims expense

- Reinsurance and other recoveries revenue
- Acquisition costs

Instead, AASB 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Allocation of reinsurance premiums
- Amounts recoverable from reinsurers for incurred claims
- Insurance finance expenses for insurance contracts issued
- Reinsurance finance income for reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

On transition date, 1 January 2022, the Company:

- Applied a full retrospective approach unless it was not practical to do so (refer note 2 (e))
- Has identified, recognised and measured each group of insurance contracts as if AASB 17 had always applied
- Has identified, recognised and measured assets for insurance acquisition cash flows as if AASB 17 has always applied. However, no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed, and no impairment losses were identified
- Derecognised any existing balances that would not exist had AASB 17 always applied
- Recognised any resulting net difference in equity

The Company applied a full retrospective transition approach at the adoption date unless it was impractical to do so.

Under a full retrospective approach, the Company determined the cumulative effect of applying the new standard as of the beginning of the first historical period presented, and revenue and expenses were recast for all prior periods presented in the year of adoption of the new standard.

Where the Company was not able to adopt the full retrospective approach, the modified retrospective approach was applied for transition to AASB 17. This applied to longer-term products in existence at the time of transition. These longer-term products are no longer offered by the Company.

A modified retrospective approach is where the Company does not have in place all assumptions and historical data to achieve opening transition balances at that point in time i.e., risk adjustment in the calculation of the Liability for Incurred Claims and Liability for Remaining Coverage

### AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition & Measurement, effective 1 January 2018.

The Company met the eligibility criteria of the temporary exemption from AASB 9 and deferred the application of AASB 9 until the effective date of the new insurance contracts standard AASB 17 for the annual reporting periods beginning on or after 1 January 2023.

The Company has applied AASB 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of AASB 9. The adoption of AASB 9 has not led to any differences being recognised.

#### Changes to classification and measurement

To determine their classification and measurement category, AASB 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

The AASB 139 measurement categories for financial assets (Fair Value Through Profit or Loss (FVPL), Available for Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) at amortised cost) have been replaced by:

- Interest bearing investments at amortised cost

The Company's classification of its financial assets is explained in the Financial Assets note.

### Transition disclosures – AASB 9

The following pages set out the impact of adopting AASB 9 on the statement of financial position, including the effect of replacing incurred credit loss calculations under AASB 139 with the Expected Credit Loss (ECL) model as required under AASB 9.

A reconciliation between the carrying amounts under AASB 139 and the balances reported under AASB 9 as of 1 January 2022 is, as follows:

Financial assets	AASB 139 measurement					Amount \$'000	Category
	Category	Amount \$'000	Reclassification	Remeasurement ECL	Other		
Cash and balances with banks	Loans & Receivables	99,980	-	-	-	99,980	Amortised cost
Investments	Investments at Fair Value	58,500	-	-	-	58,500	Amortised cost
Other receivables	Loans & Receivables	9,488	-	-	-	9,488	Amortised cost
						<b>167,968</b>	

Amounts above have not been restated to reflect the application of AASB 17 Insurance Contracts and AASB 9 Financial instruments. The restatement of Trade and other receivables for the application of AASB 17 did not result in an ECL charge.

### e) Insurance and reinsurance contracts accounting treatment

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include property, motor vehicle insurance and personal accident. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Company does not issue any contracts with direct participating features.

### Insurance and reinsurance contracts accounting treatment

#### *Separating components from insurance and reinsurance contracts*

The Company assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another AASB standard instead of under AASB 17. Currently, the Company's insurance and re-insurance products do not include any distinct components that require separation and reporting under another AASB standard.

#### Level of aggregation

AASB 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). AASB 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. On the basis that they meet PAA eligibility, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts acquired by 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. For some groups of reinsurance contracts held, a group can comprise a single contract.

## **Recognition**

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts if facts and circumstances indicate that the group is onerous

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held).
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

## Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks

Or

- Both of the following criteria are satisfied:
  - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
  - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

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.

The excess of loss reinsurance contracts held provides coverage for claims incurred during an accident year. As such, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts may include mandatory or voluntary reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the respective reinsurance contracts' boundaries.



## Measurement - Premium Allocation Approach

	<i>AASB 17 Options</i>	<i>Adopted approach</i>
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the AASB17 general model	<p>Coverage period for all insurance products excluding gap insurance, consumer credit insurance and extended warranty on motor vehicles is one year or less and so qualify automatically for PAA.</p> <p>Gap insurance, consumer credit insurance and extended warranty on motor vehicles include contracts with coverage period greater than one year.</p> <p>Eligibility for all groups of contracts has been determined at the Portfolio level on materiality grounds using all known information to date.</p> <p>The maximum difference for the liability for remaining coverage between PAA and the general model has been determined to be below the materiality threshold adopted by the Company, therefore allowing the Company to adopt the PAA.</p> <p>PAA has also been adopted for reinsurance arrangements that are within 1 year coverage period.</p> <p>For reinsurance contracts longer than 1 year, eligibility for PAA is evaluated on the same basis as non-reinsurance group of contracts.</p>
Insurance acquisition cash flows for insurance contracts issued	<p>Where the coverage period of all contracts within a group is no longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group.</p> <p>For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.</p>	For all business, insurance acquisition cash flows are allocated to related groups of insurance contracts and are amortised over the coverage period of the related group.
Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.	<p>For all insurance products, there is no allowance for accretion of interest as the premiums are received within one year of the coverage period.</p> <p>Currently the Company does not offer any new products with duration longer than one year.</p>
Liability for Incurred Claims, (LFIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	To maintain consistency across all claims the LFIC is adjusted for the time value of money for all classes of business.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.	For all business, the change in LFIC as a result of changes in discount rates will be captured within profit or loss.

### **Insurance contracts – initial measurement**

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows.

### **Reinsurance contracts held – initial measurement**

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company 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 Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

### **Insurance contracts – subsequent measurement**

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows,
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims, where applicable

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). The liability for incurred claims is discounted for all products to reflect the time value of money and the effect of financial risk.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue), however if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

## Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component 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 entity expects to recover from the group of reinsurance contracts held.

## Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled, or expired)
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

## f) Revenue recognition

### Insurance Revenue

The insurance revenue comprises amounts charged to policyholders, including fire service levies and excludes taxes collected on behalf of third parties.

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time except for the GAP, and Consumer Credit which are on the basis of the expected timing of incurred insurance service expenses.

### Management Fee Income

The Company recognises income in respect of management services provided to Aioi Nissay Dowa Insurance Co., Ltd (the Branch) as per the agreement between the parties. The management services are primarily related to the management of Branch claims reported, measured at a fixed charge per claim that represents the arm's length cost of managing a claim and a fixed charge for board, executive, Head Office representatives and finance department time to manage the Branch. Income is recorded once the performance obligation has been satisfied by the Company, being at the end of each month. Since the Branch has ceased business operations effective 30 June 2023, there has been no further management fee charged. No variable consideration or financing component has been identified in the agreement by the Company. Furthermore, no GST is charged on the management fee as the Branch and the Company are grouped for GST purposes.

### Other Revenue

Other revenue is recognised when the Company's right to receive the payment is established.

### Fire service levies and other charges

A liability for fire service levy and other charges payable is recognised on business written to the reporting date. Levies and charges payable are expensed on the same basis as the recognition of insurance revenue.

### **g) Net income or expense from reinsurance contracts held**

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

The Company does not currently have any insurance or reinsurance products that contain a non-distinct investment component.

### **h) Insurance acquisition cash flows**

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio.

The Company does not expense its insurance acquisition cash flows upon payment and capitalises insurance acquisition cash flows.

The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group.

Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another AASB standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

### **i) Loss components**

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned above indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

#### **Loss-recovery components**

As described in the Reinsurance contracts held – initial measurement note (above), where the Company 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 Company 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 entity expects to recover from the group of reinsurance contracts held.

### **j) Insurance and reinsurance finance income and expenses**

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

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The company does not disaggregate finance income and expenses between profit or loss and other comprehensive income.

## Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

## k) Cash and cash equivalent

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

## l) Other receivables

Trade receivables are recognised initially at fair value less any transaction costs. After initial measurement, trade receivables are measured at amortised costs less any allowance for impairment. Collectability of trade receivables is reviewed on an on-going basis. Individual debts that are known to be uncollectible are written off when identified.

Impairment recognition under AASB 9 is based on an expected credit loss model which requires impairment losses to reflect the following principles:

- a probability-weighted outcome
- the time value of money
- any reasonable and supportable information, including that which is forward-looking.

Impairments are recognised on a 12-month expected credit loss (ECL) basis if there has been no significant increase in credit risk since initial recognition of the financial instrument, and lifetime ECL if there has been a significant increase in credit risk.

## m) Financial assets

### *Initial recognition and measurement*

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as well as the Solely Payments of Principal and Interest test (SPPI).

Financial instruments are initially recognised on the trade date measured at their fair values.

As part of its investment strategy, the Company actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

### *Measurement categories*

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms as follows:

### **Interest bearing investments measured at amortised cost**

Interest bearing investments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows
- The contractual terms of the interest bearing investments give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below.

### **Business model assessment**

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount, and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

### **The Solely payments of principal and interest (SPPI) test**

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within the interest bearing investment arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

#### **Reclassification of financial assets and liabilities**

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

#### **Transfer of control**

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay. When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

All financial assets including investments are carried at amortised cost.



## n) Recognition of interest income

Under AASB 9, interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at amortised cost.

Interest income comprises amounts calculated using the effective interest method and other methods. These are disclosed separately on the face of the income statement.

In its Interest income calculated using the effective interest method the Company only includes interest on financial instruments at amortised cost.

## o) Depreciation

Property, plant and equipment and right-of-use assets are initially recorded at cost which is the fair value of consideration provided plus incidental costs directly attributable to the acquisition. Depreciation is calculated using the straight line method to allocate the cost of assets less any residual value over the estimated useful economic life.

The economic life periods used for depreciation are:

Item	31 December 2023	31 December 2022
Office furniture and fixtures	4 - 20 years	5 - 20 years
Computer software	1 - 5 years	1 - 5 years
Computer hardware	1 - 15 years	1 - 15 years
Office equipment	1 - 20 years	1 - 12 years
Right-of-use assets	1 - 15 years	2 - 15 years

Assets are not depreciated in the first month of purchase and depreciated for the full month in the month of disposal. The carrying amounts of property, plant and equipment and right-of-use assets are reviewed each reporting date. If any impairment is indicated or exists, the item is tested for impairment by comparing the recoverable amount of the asset to the carrying value.

Where an existing carrying value exceeds the recoverable amount, the difference is recognised in the Statement of Comprehensive Income. The net gain or loss on the disposal is recognised in the Statement of Comprehensive Income and is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds.

Right-of-use (ROU) assets are recognised in accordance with AASB 16 (i.e. present value of future lease payments over the term of the agreement). They are depreciated using the straight-line method to allocate the cost of assets less any residual value over the estimated useful economic life.

## p) Other payables

Other payables are carried at cost, which is the fair value of the expenses not directly attributable to insurance services to be paid in the future for goods and services received. The amounts are discounted where the effect of the time value of money is material.

## q) Provisions for employee benefits

Provisions are made for the Company's liabilities for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and long service leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability.

## r) Income tax and other taxes

### Income tax

Income tax expense for a reporting period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax expense is the change in deferred tax assets and liabilities between the reporting periods.

Deferred tax assets and liabilities are recognised using the liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes, except in the following circumstances when no deferred tax asset or liability is recognised:

- Temporary differences if they arose in a transaction, other than a business combination, that at the time of transaction did not affect either accounting profit or taxable profit or loss;
- Temporary differences relating to the initial recognition of goodwill; and
- Temporary differences between the carrying amount and tax bases of investments in subsidiaries branches and associates, and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets relate to the same taxable entity and the same taxation authority.

### Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated inclusive of GST. Cash flows are included in the cash flow statement on a gross basis.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## s) Lease liabilities

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset even if that right is not explicitly specified in an arrangement.

At the commencement date of a lease, the Company recognises a liability to make lease payments (i.e. the present value of lease payments over the term of the agreement). Interest is accrued monthly and the lease liability is reduced each time a payment is made. The Company is also required to remeasure the lease liability upon the occurrence of a lease variation (e.g., a change in the lease term, a change in future lease payments, etc.). The Company generally recognises the amount of the remeasurement of the lease liability as an adjustment to the ROU asset.

#### t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 3. Significant accounting judgements, estimates and assumptions

In the process of applying the significant accounting policies, certain critical accounting estimates and assumptions are used and certain judgements are made.

The estimates and related assumptions are based on experience and other factors that are considered to be reasonable, the results of which form the basis for judgements about the carrying values of assets and liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods if relevant.

The areas where the estimates and assumptions involve a high degree of judgement or complexity and are considered significant to the financial statements are noted below:

#### a) Insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under AASB 1023. The Company continues to discount all cash flows that are expected to occur after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

#### b) Insurance acquisition cash flows

The Company does not expense its insurance acquisition cash flows upon payment and capitalises insurance acquisition cash flows.

The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group.

#### c) Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

#### d) Time value of money

For all insurance product lines, the Company adjusts the carrying amount of the liability for incurred claims to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

#### e) Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years but are also further analysed by significant business lines and claim types. Catastrophes are separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections

are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Some of the insurance contracts that have been written in the Motor Vehicle line of business permit the Company to sell property acquired in settling a claim. The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement.

#### f) Discount rates

Liabilities for Incurred Claims are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years	
	2023	2022	2023	2022	2023	2022	2023	2022
Discount rate used for Retail portfolio	4.19%	3.70%	3.96%	4.37%	4.32%	4.86%	5.02%	5.40%
Discount rate used for Commercial portfolio	4.29%	3.84%	4.11%	4.58%	4.48%	5.08%	5.18%	5.58%

#### g) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has adopted a profit margin approach whereby the compensation for non-financial risk is based on the long-term target profit margin and corresponding target loss ratio (including Claims Handling Expenses). The chosen approach results in a probability of sufficiency at the 57th percentile.

That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 57th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. For LFIC, the Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the requirements of bearing non-financial risk.

Estimates of reinsurance and other recoveries are also determined using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received taking into consideration factors such as credit risk.

#### h) Assets for insurance acquisition cash flows

The Company applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about the amounts allocated to insurance contracts expected to arise from renewals of existing insurance contracts in a group and the volume of expected renewals from new contracts issued in the period.

At the end of each reporting period, the Company revisits the assumptions made to allocate insurance acquisition cash flows to groups and where necessary revises the amounts of assets for insurance acquisition cash flows accordingly.

#### **i) Impairment losses on financial assets**

The measurement of impairment losses under AASB 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios, and the relevant inputs used.

#### **j) Deferred tax assets**

The Company has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the Company to satisfy certain tests at the time the losses are recouped. If the Company fails to satisfy the tests, carried forward losses that are currently recognised as deferred tax asset would have to be written off to income tax expense.

## **4. Division information**

For management purposes, the Company is organised into business units based on their products and has two reportable operating divisions as follows:

- Retail Division offers retail general insurance products. The products offered include motor vehicle insurance, motor vehicle gap insurance, consumer credit insurance and extended warranty on motor vehicles.
- Commercial Division offers general insurance products for commercial purposes. The products offered include commercial motor vehicle, property, public liability, professional indemnity, householders and casualty insurance.

## **5. Risk Management Framework**

The Company has established principles of sound risk governance for the ownership, management, and oversight of risks. The Board of Directors (The Board) is ultimately responsible for the Company's Risk Management Framework (RMF) and is responsible for the oversight of its operation by management. The Board must ensure that:

- a. it sets the Risk Appetite within which it expects management to operate and approve the Company's Risk Appetite Statement (RAS) and Risk Management Strategy (RMS);
- b. it forms a view of the risk culture of the Company, and the extent to which that culture supports the ability of the Company to operate consistently within its Risk Appetite, identify any desirable changes to the risks, monitor and manage all material risks in line with the strategic objectives, RAS and policies approved by the Board;
- c. the operational structure of the Company facilitates effective risk management;
- d. policies and processes are developed for risk-taking that are consistent with the RMS and the established Risk Appetite;
- e. sufficient resources are dedicated to risk management; and
- f. it recognises uncertainties, limitations and assumptions attached to the measurement of each material risk.

The Board has delegated certain risk management responsibilities to various subcommittees, with these responsibilities set out within each of the sub committee's Charters. In addition, the Board has delegated certain responsibilities to the Executive Management Team, which are set out in the Executive Team job descriptions.

The RAS is a Board-defined statement which sets out the nature and level of risk that the Company is willing to take in pursuit of the company's objectives. The RAS is a key component of the RMS which details how the RMF is operationalised.

Each year the Board will certify to APRA that adequate strategies have been put in place to monitor those risks, that there are systems and resources in place to identify, measure, evaluate, monitor, report and control or

mitigate material risks, including compliance with legislative and prudential requirements and that the Board is satisfied with the compliance with the RMS and ReMS.

The RAS, RMS and ReMS are updated annually or as required, and are approved by the Board. They are submitted to APRA after any material changes are made. A four or five year rolling business plan and capital management plan is also submitted to APRA after each annual review or whenever material changes are made.

The Company has also in place a Recovery and Exit Plan (REP) as required by APRA Prudential Standard Recovery and Exit Planning CPS 190 (CPS 190), which outlines recovery strategies in the instance of distress, and exit strategies where these recovery strategies are unsuccessful. The Company is to review and update the REP at least every three years and the REP is provided to APRA as required by CPS 190.

## Risk Management Approach

The following approach is adopted by the Company to gain a full understanding of its internal and external environment, the risks that are inherent to its business operations, how these risks are being managed, monitored, and reported. The approach is applied to all core business activities, material business planning and decision making.

- 1. Identification of Risks:** Risks are identified through consultation with key stakeholders, as part of the strategic planning process and with any proposed material changes to the business.
- 2. Risk assessment:** The likelihood and consequence of each risk is assessed (e.g., the impact on customers, financial, reputational, regulatory, internal). Here an assessment of the inherent risk is determined, and controls are identified to manage the risk. Once controls are in effect, the level of risk is then reassessed, this level is referred to as the residual risk.
- 3. Evaluate:** Once risks are identified and assessed, risks then need to be evaluated consistently with the Board RAS and Board approved policies and procedures. Risk can be evaluated through the use of, amongst other things, controls, use of capital, recovery plans, and conflicts of interest.
- 4. Implementation:** Policies, procedures, and systems are developed to affect the RMS. The main strategy for implementation is the execution of appropriate controls which are identified as appropriate having regard for the risk appetite and the size, business mix and complexity of the organisation.
- 5. Monitoring:** Monitoring of controls to ensure the control environment is effectively managing risks. Activities to support monitoring include review of incidents, self-assessment on performance of controls, risk monitoring reviews and deep dives conducted by second line and specialist's oversight of key risk exposures.
- 6. Report and Review:** Risks are continually reviewed and reported to the Board, Board Committees and Management Committees on a timely basis.

## Risk and Control Self Assessments (RCSA)

The Company performs Risk and Control Self-Assessments (**RCSA**) to enable the identification and effective management of the material risks to which it is exposed, and the controls employed to mitigate those risks. The RCSA process is a key element in the way Adica manages, monitors, and reports on risks, controls, and control improvements.

The RCSA process should formally occur at least once a year or as required in the event of a material business change or external events. Results of the RCSA review are reported to the Risk and Compliance Committee.

Key risks faced by the Company affecting its financial condition are discussed below.

### a. Financial Risk

Financial Risk is defined as the risk that is associated with the uncertainty of returns and the potential for financial loss (refer to 6. Financial Risk Management)

### b. Insurance Risk

Insurance Risk is defined as risk associated with the provision of insurance and the returns of insurance products.

Insurance contracts transfer risk to the insurer by indemnifying the policyholder against adverse events. The risk inherent in the insurance contract is the uncertainty of claims and amounts paid which may exceed amounts estimated at the time the product was designed and priced.

The Company has formed a Product & Underwriting Committee to develop and oversee its underwriting strategy to diversify the type of insurance risks accepted within each of these categories in order to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The following protocols have been established to manage insurance risk:

1. *Premium risk*

The pricing and selection of risks for each class of business is controlled by underwriting rules and the results are analysed by the Appointed Actuary during the annual actuarial review.

2. *Concentration of insurance risk*

The Company's exposure to concentrations of insurance risk is mitigated by a robust catastrophe reinsurance programme which limits the financial impact of its exposure to any single event or any single risk.

3. *Terms and conditions of insurance contracts*

There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

4. *Claims management and provisioning*

The Company has established systems to capture, review and update claims estimates on a timely basis to ensure the adequacy of its liability for incurred claims.

Sensitivity analysis

The impact on the profit or loss to changes in key actuarial assumptions are summarised below. Each change has been calculated in isolation of the other changes and is gross and net of reinsurance recoveries.

**Financial year 2023**

Variable	Movement	Gross of Recoveries \$'000	Net of Recoveries \$'000	Equity \$'000
Recognised amounts per the financial statements		<b>101,686</b>	<b>77,948</b>	<b>92,282</b>
Claim Inflation	+ 50 basis points	1,018	552	924
Discount Rate	+ 50 basis points	(1,052)	(564)	(955)
Claims Handling Expense	+ 50 basis points	475	810	431
Risk Adjustment	+ 50 basis points	362	75	329

**Financial year 2022**

Variable	Movement	Gross of Recoveries \$'000	Net of Recoveries \$'000	Equity \$'000
Recognised amounts per the financial statements		<b>64,530</b>	<b>60,396</b>	<b>89,971</b>
Claim Inflation	+ 50 basis points	563	372	785
Discount Rate	+ 50 basis points	(532)	(352)	(741)
Claims Handling Expense	+ 50 basis points	303	401	422
Risk Adjustment	+ 50 basis points	285	236	397

An increase in the claim inflation, claims handling expense and risk adjustment would result in an increase in the insurance contract liabilities, therefore reducing equity. Whilst an increase in the discount rate would have the opposite affect of reducing the insurance contract liabilities and increasing equity.

### c. Operational Risk

All businesses are subject to operational risk as they pursue their objectives. Operational Risk is defined as risk associated with the financial loss resulting from inadequate or failed internal processes, people, and systems or from external events (including legal risk). The Company cannot expect to eliminate all operational risks, but to manage these by initiating an appropriate control framework and by monitoring and responding to potential risks, and thereby minimising exposure to such risks.

As outlined in the Board approved Risk Management Strategy, risks including Operational Risk are identified, assessed, evaluated, have policies and procedures implemented to effect RMS, monitored, and reported on and reviewed on an on-going basis.

Management and staff are responsible for identifying, assessing and managing operational risks in accordance with their roles and responsibilities and the Company also has a designated Risk, Audit & Compliance function that monitors processes and procedures involving the management of operational risk.

Key residual risks from the above processes are monitored by the Board Risk and Compliance Committee.

### d. Strategic Risk

Strategic Risk is defined as risks associated with the risk internal or external factors comprise the Company's ability to execute strategy and achieve strategic objectives, and includes Partnership Risk, Strategy Formation Risk, Group Risk and Competitive Risk.

The Company has an appetite for achieving profitable growth focussing on innovation to meet the needs of customers, delivering expertise and insights focused on customer experience as well as protecting the brand.

The Company has a moderate appetite for external and internal factors which disrupt its strategy. As result Management seek and actively manage such risks.

Management and staff are responsible for identifying, assessing and managing strategic risks in accordance with their roles and responsibilities and the Company also has a designated Risk, Audit & Compliance function that monitors processes and procedures involving the management of strategic risk.

## 6. Financial Risk Management

The operating activities of the Company may expose it to investment, liquidity and credit financial risks.

### a. Market and Investment Risk

Investment risk is the probability that an actual return on investment will be lower than the expectation. The types of investment risk that may affect the operating activities of the Company are discussed below:

#### 1. *Currency risk*

Currency risk is the risk of loss arising from an unfavourable movement in market rates. The Company's insurance contracts and financial assets and liabilities are not exposed to currency risk.

#### 2. *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

The Company's investments are exposed to changes in interest rates on maturity, with adverse effects when interest rates are reducing.

There is no direct contractual relationship between financial assets and insurance contracts. However, the Company's policy of investing in assets backing insurance liabilities principally in fixed interest securities broadly matched to the expected payment pattern of the insurance liabilities.

Movements in investment income on assets backing insurance liabilities broadly offset the impact of movements in discount rates on the insurance liabilities. The Bank Bill Swap rates (BBSW) and the cash rate serves as a

benchmark for the interest rate the Company is exposed to by financial institutions.

### Sensitivity analysis

The impact from the measurement of the investments, cash and cash equivalents held at reporting date of a change in interest rates at reporting date on profit after tax is shown in the table below:

Year	Increase / decrease in basis points	Sensitivity of the input to fair value
<b>2022</b>	1.00%	1,608
	-1.00%	(1,608)
<b>2023</b>	1.00%	1,810
	-1.00%	(1,810)

### **b. Credit Risk**

Credit risk is the risk of loss from a counterparty to a financial instrument, insurance contract issued in an asset position or reinsurance contract held, will cause a financial loss for the other party by failing to meet their financial obligations.

The Company's credit risk arises predominantly from insurance contracts issued, reinsurance and investing activities. The Company's credit risk is minimised as it holds investments that have a minimum Standard & Poor credit rating of BBB-.

The level of assets invested in individual counterparties and the level of reinsurance cover entered into with individual reinsurers is sufficiently diversified so as to avoid a concentration charge in the regulatory capital calculation.

#### *Credit risk exposure*

##### - *Premium receivable*

The maximum exposure to credit risk as at reporting date is the carrying amount of the Insurance Contract Liabilities on the Statement of Financial Position.

The majority of the underlying specific receivables relate to policies which are paid on a monthly instalment basis. It is important to note that the late payment of amounts due under such arrangements allows for the cancellation of the related insurance contract eliminating both the credit risk and insurance risk for the unpaid amounts. Upon cancellation of a policy the outstanding premium receivable and revenue is reversed.

##### - *Reinsurance amounts recoverable on incurred claims*

Reinsurance arrangements mitigate insurance risk but expose the Company to credit risk. Reinsurance is placed with companies based on an evaluation of the financial strength of the reinsurers, terms of coverage and price.

The Company monitors the financial condition of its reinsurers on an on-going basis and periodically reviews the reinsurers' ability to fulfil their obligations under respective existing and future reinsurance contracts.

The level and quality of reinsurance protection is an important element in understanding the financial strength of an insurer. The financial condition of a reinsurer is a critical deciding factor when entering into a reinsurance agreement.

It is the Company's policy to only deal with reinsurers with credit ratings of at least Standard & Poor's A- (or other rating agency equivalent). Where the credit rating of a reinsurer falls below the required quality during the period of risk, a contractual right to replace the counterparty exists.

Having reinsurance protection with strong reinsurers also benefits the Company in its regulatory capital calculations. The risk charges vary with the grade of the reinsurers such that higher credit quality reinsurance counterparties incur lower APRA regulatory capital charges. No separate provision for impairment has been recognised for the reinsurance recoveries on outstanding balance.

The following table illustrates the credit risk exposure of the Company:

	A- and Above	B- to BBB+	Customers	Total
2023	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	58,493	-	-	58,493
Premium receivables within Insurance contract liabilities	-	-	93,163	93,163
Reinsurance and other recoveries receivable	66,004	-	-	66,004
Investments	101,000	21,500	-	122,500
<b>Net exposure</b>	<b>225,497</b>	<b>21,500</b>	<b>93,163</b>	<b>340,160</b>
2022 restated	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	54,946	-	-	54,946
Premium receivables within Insurance contract liabilities	350	-	83,689	84,039
Reinsurance and other recoveries receivable	31,659	-	-	31,659
Investments	74,900	31,000	-	105,900
<b>Net exposure</b>	<b>161,855</b>	<b>31,000</b>	<b>83,689</b>	<b>276,544</b>

There are no financial assets which are past due or impaired at 31 December 2023.

### c. Liquidity Risk

Liquidity risk is concerned with the risk of there being insufficient cash resources to meet obligations associated with insurance liabilities as well as other payment obligations without affecting the daily operations or the financial condition of the Company. Liquidity facilitates the ability to meet expected and unexpected requirements for cash. The liquidity position is derived from operating cash flows, investment portfolios and reinsurance arrangements. The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- a Company liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment;
- investing in products with a maturity of 12 months or less;
- entering into a money market line facility with ANZ on 22<sup>nd</sup> December 2015. The facility is an uncommitted amount of AUD \$7.5 million and can be terminated, cancelled or withdrawn at any time;
- ensuring that banking facilities are rated at no lesser than S&P BBB- (S&P Short Term Issuer Credit Rating) or its accepted equivalent; and
- ensuring that placements mature regularly so that any cash requirements can be met.

Following is the undiscounted maturity of Insurance, Reinsurance and other Financial Assets and Financial Liabilities:

2023	< 6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	> 5 Years \$'000	Total \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	58,493				58,493
Premium receivables within Insurance contract liabilities	74,932	18,231			93,163
Reinsurance and other recoveries receivable	43,965	9,639	13,531	519	67,654
Investments	122,500				122,500
	<b>299,890</b>	<b>27,870</b>	<b>13,531</b>	<b>519</b>	<b>341,810</b>

<b>Financial Liabilities</b>					
Other payables	14,996	-	-	-	14,996
Liability for incurred claims	71,729	14,140	18,535	778	105,182
Lease liabilities	455	442	1,455	593	2,945
	87,180	14,582	19,990	1,371	123,123
<b>Net maturity</b>	<b>212,710</b>	<b>13,288</b>	<b>(6,459)</b>	<b>(852)</b>	<b>218,687</b>

2022 Restated	< 6 Months \$'000	6-12 Months \$'000	1-5 Years \$'000	> 5 Years \$'000	Total \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	54,946	-	-	-	54,946
Premium receivables within Insurance contract liabilities	69,315	14,724	-	-	84,039
Reinsurance and other recoveries receivable	22,348	4,632	4,980	237	32,197
Investments	105,900	-	-	-	105,900
	252,509	19,356	4,980	237	277,082
<b>Financial Liabilities</b>					
Other payables	44,282	-	-	-	44,282
Liability for incurred claims	48,313	8,072	7,133	247	63,765
Lease liabilities	545	430	2,233	2,031	5,239
	93,140	8,502	9,366	2,278	113,286
<b>Net maturity</b>	<b>159,369</b>	<b>10,854</b>	<b>(4,386)</b>	<b>(2,041)</b>	<b>163,796</b>

#### d. Capital Risk

Capital Risk is defined as the risk of not having sufficient capital to meet obligations to policy holders.

For the purposes of Company's capital management, capital includes authorised/fully-paid capital attributable to the parent. APRA requires the Company to set a capital target which is high enough to withstand temporary stresses and which will give the Company adequate lead time to take corrective actions should the Company's target be breached. The Company has therefore implemented an Internal Capital Adequacy Assessment Process (ICAAP) which links the capital target to the Company's risk profile, assesses the risk to capital from existing material risks and potential risks from future business strategies and ensures that actions can be taken to minimise the impact of these risks. The Company is in compliance with its capital requirements set by APRA.

The Company's solvency is forecasted annually and more rigorous monitoring and analysis of the underlying causes will be undertaken if the solvency is forecasted to be lower than the capital target in order to determine the relevant corrective actions to take. Corrective action includes adjusting premium pricing and underwriting criteria, changing the reinsurance programme or requesting additional capital from its parent Aioi Nissay Dowa Insurance Co., Ltd.

## 7. Insurance Service Result

(a) Insurance Revenue			
2023			
	Retail \$'000	Commercial \$'000	TOTAL \$'000
Contracts Measured under the PAA	201,491	60,032	261,523
<b>Total insurance revenue</b>	<b>201,491</b>	<b>60,032</b>	<b>261,523</b>
2022 restated			
	Retail \$'000	Commercial \$'000	TOTAL \$'000
Contracts Measured under the PAA	173,173	30,127	203,300
<b>Total insurance revenue</b>	<b>173,173</b>	<b>30,127</b>	<b>203,300</b>
(b) Insurance Service Expense			
2023			
	Retail \$'000	Commercial \$'000	TOTAL \$'000
Incurring claims and other attributable expenses	(156,790)	(52,083)	(208,874)
Amortisation of insurance acquisition cash flows	(31,639)	(873)	(32,512)
Losses on onerous contracts and reversals of those losses	(53)	-	(53)
Changes to liabilities for incurred claims	(5,807)	4,181	(1,625)
<b>Total insurance service expense</b>	<b>(194,289)</b>	<b>(48,775)</b>	<b>(243,064)</b>
<b>Insurance service result before reinsurance contracts held</b>	<b>7,202</b>	<b>11,257</b>	<b>18,459</b>
2022 restated			
	Retail \$'000	Commercial \$'000	TOTAL \$'000
Incurring claims and other attributable expenses	(120,013)	(17,476)	(137,489)
Amortisation of insurance acquisition cash flows	(31,223)	(216)	(31,439)
Losses on onerous contracts and reversals of those losses	(58)	-	(58)
Changes to liabilities for incurred claims	(7,529)	(879)	(8,407)
<b>Total insurance service expense</b>	<b>(158,823)</b>	<b>(18,571)</b>	<b>(177,394)</b>
<b>Insurance service result before reinsurance contracts held</b>	<b>14,350</b>	<b>11,556</b>	<b>25,906</b>

**(c) Allocation of reinsurance premiums****2023**

	<b>Retail \$'000</b>	<b>Commercial \$'000</b>	<b>TOTAL \$'000</b>
Contracts Measured under the PAA	(6,018)	(46,306)	(52,324)
<b>Total Contracts Measured under PAA</b>	<b>(6,018)</b>	<b>(46,306)</b>	<b>(52,324)</b>

**2022 restated**

	<b>Retail \$'000</b>	<b>Commercial \$'000</b>	<b>TOTAL \$'000</b>
Contracts Measured under the PAA	(5,322)	(22,510)	(27,832)
<b>Total Contracts Measured under PAA</b>	<b>(5,322)</b>	<b>(22,510)</b>	<b>(27,832)</b>

**(d) Amounts recoverable from reinsurers for incurred claims****2023**

	<b>Retail \$'000</b>	<b>Commercial \$'000</b>	<b>TOTAL \$'000</b>
Contracts Measured under the PAA	13	35,795	35,808
<b>Total Amounts recoverable from reinsurers for incurred claims</b>	<b>13</b>	<b>35,795</b>	<b>35,808</b>
<b>Net revenue/(expense) from reinsurance contracts held</b>	<b>(6,005)</b>	<b>(10,511)</b>	<b>(16,516)</b>
<b>Insurance Service Result</b>	<b>1,197</b>	<b>746</b>	<b>1,943</b>

**2022 restated**

	<b>Retail \$'000</b>	<b>Commercial \$'000</b>	<b>TOTAL \$'000</b>
Contracts Measured under the PAA	390	10,695	11,085
<b>Total Amounts recoverable from reinsurers for incurred claims</b>	<b>390</b>	<b>10,695</b>	<b>11,085</b>
<b>Net revenue/(expense) from reinsurance contracts held</b>	<b>(4,932)</b>	<b>(11,815)</b>	<b>(16,747)</b>
<b>Insurance Service Result</b>	<b>9,418</b>	<b>(259)</b>	<b>9,159</b>

## 8. Total Investment income and Insurance and reinsurance finance income/(expense)

	2023 \$'000	2022 \$'000
Interest revenue calculated using the effective interest method	7,559	2,389
<b>Total investment income</b>	<b>7,559</b>	<b>2,389</b>
Insurance finance Income/(expenses) from insurance contracts issued	(11)	86
Reinsurance finance expense for reinsurance contracts held	(3)	(32)
<b>Total insurance and Reinsurance finance income/(expenses) from insurance and reinsurance contracts issued</b>	<b>(14)</b>	<b>54</b>

## 9. Fee and other income

	2023 \$'000	2022 \$'000
Management fee income	102	235
Other administration fee income	54	53
<b>Total fee and other income</b>	<b>156</b>	<b>288</b>

## 10. Other expenses

	2023 \$'000	2022 \$'000
Staff expenses	23,333	20,839
Superannuation	1,997	1,750
Termination	-	201
Travel expenses	279	251
Office expenses	1,448	2,159
Professional fees and membership expenses	2,613	2,470
Information technology expenses	3,032	3,341
Depreciation of property, plant and equipment	655	2,949
Depreciation of right-of-use leased assets	803	1,280
Finance costs	144	138
Other expenses	3,676	4,062
<b>Total expenses</b>	<b>37,980</b>	<b>39,440</b>
Amount attributable to insurance service expense	(31,669)	(32,886)
<b>Total other expenses</b>	<b>6,311</b>	<b>6,554</b>

## 11. Income tax expense

The major components of income tax expense for the years ended 31 December are:

### Income Statement

	2023 \$'000	2022 restated \$'000
<b>(a) Current tax year charge</b>		
<b>Current income tax:</b>		
Current income tax charge	-	2,068
Adjustments in respect of current income tax of previous year	-	-
<b>Total current tax</b>	<b>-</b>	<b>2,068</b>
<b>Deferred tax:</b>		
Origination of temporary differences	1,022	(432)
Adjustments in respect of deferred tax of previous year	-	-
Deferred tax used to reduce current tax for the year	-	-
<b>Total deferred tax</b>	<b>1,022</b>	<b>(432)</b>
<b>Total income tax expense/-credit</b>	<b>1,022</b>	<b>1,636</b>
<b>(b) Reconciliation of tax charge</b>		
Accounting profit/(loss) before tax from continuing operations	3,333	5,336
At statutory income tax rate of 30%	1,000	1,601
Adjustments in respect to current income tax of previous years	(12)	-
Non-deductible expenses for tax purposes:		
Entertainment expenses	22	24
FBT expense	12	11
<b>Total tax charge for the year</b>	<b>1,022</b>	<b>1,636</b>

\* The non-deductible entertainment and FBT expenses have been amended to conform with current year presentation.

## Deferred Tax

Deferred tax relates to the following:

	Statement of Financial Position		Statement of Comprehensive Income	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Asset depreciation and disposals for tax purposes	(666)	(1,148)	(482)	(32)
Lease liabilities	705	1,361	656	(63)
Insurance Contract Liabilities	(635)	271	906	31
Other payables	1,561	2,169	608	(209)
Income Tax Payable	-	-	-	-
Employee benefits provision	1,243	1,482	239	(159)
Carried forward tax losses	905	-	(905)	-
<b>Deferred tax expense / (income)</b>			<b>1,022</b>	<b>(432)</b>
<b>Net deferred tax assets / (liabilities)</b>	<b>3,113</b>	<b>4,135</b>		

	2023 \$'000	2022 \$'000
<b>Reconciliation of deferred tax assets net</b>		
<b>Opening balance</b>	<b>4,135</b>	<b>3,703</b>
Tax income/(expense) during the period recognised in Statement of Comprehensive Income	(1,022)	432
Deferred tax assets on previous tax losses	-	-
<b>Closing balance as at 31 December</b>	<b>3,113</b>	<b>4,135</b>

## 12. Cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank	14,993	307
Short-term deposits	43,500	54,639
<b>Total cash and cash equivalents</b>	<b>58,493</b>	<b>54,946</b>

## 13. Other receivables

	2023	2022 restated
	\$'000	\$'000
Receivables from related parties	-	350
Accrued investment income	1,788	870
Sundry debtors	8,403	6,962
<b>Total trade and other receivables</b>	<b>10,191</b>	<b>8,182</b>

For the maturity profile, please refer to Note 6c.

## 14. Investments

	2023	2022 restated
	\$'000	\$'000
<b>Investments at amortised cost</b>		
Interest bearing investments	122,500	105,900
<b>Total investments at amortised cost</b>	<b>122,500</b>	<b>105,900</b>

The Company holds investments with maturity expected to be realised within 12 months.

The investments are held within a business model with the objective of holding the instrument to collect the contractual cash flows.

The contractual terms of the investments give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

## 15. Insurance and Reinsurance contracts

	2023			2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
<b>Insurance contracts issued</b>						
Retail	-	71,025	71,025	-	60,496	60,496
Commercial	-	30,661	30,661	-	4,034	4,034
<b>Total insurance contracts</b>	<b>-</b>	<b>101,686</b>	<b>101,686</b>	<b>-</b>	<b>64,530</b>	<b>64,530</b>
<b>Reinsurance contracts held</b>						
Retail	-	1,824	1,824	-	815	815
Commercial	14,775	-	14,775	792	-	792
<b>Total reinsurance contracts held</b>	<b>14,775</b>	<b>1,824</b>	<b>16,599</b>	<b>792</b>	<b>815</b>	<b>1,607</b>

## 15.1 Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims

### 15.1.1. Retail

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Retail product line, is disclosed in the table below:

	2023						TOTAL \$'000
	Liabilities for remaining coverage		Liabilities for Incurred claims			Assets for insurance acquisition cash flows \$'000	
	Excluding loss component \$'000	Loss component \$'000	Estimates of the present value of future cash flows \$'000	Risk adjustment \$'000			
Insurance contract liabilities as at 01/01	37,718	108	28,849	1,037	(7,216)	60,496	
Insurance contract assets as at 01/01	-	-	-	-	-	-	
<b>Net Insurance contract assets/(liabilities) as at 01/01</b>	<b>37,718</b>	<b>108</b>	<b>28,849</b>	<b>1,037</b>	<b>(7,216)</b>	<b>60,496</b>	
Insurance Revenue	(201,491)	-	-	-	-	(201,491)	
Insurance service expenses	31,639	53	162,353	244	-	194,289	
Incurred claims and other expenses	-	-	156,546	244	-	156,790	
Amortisation of insurance acquisition cash flows	31,639	-	-	-	-	31,639	
Losses on onerous contracts and reversals of those losses	-	53	-	-	-	53	
Changes to liabilities for incurred claims	-	-	5,807	-	-	5,807	
<b>Insurance service result</b>	<b>(169,852)</b>	<b>53</b>	<b>162,353</b>	<b>244</b>	<b>-</b>	<b>(7,202)</b>	
<b>Insurance finance expenses</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	
<b>Total changes in the statement of comprehensive income</b>	<b>(169,852)</b>	<b>53</b>	<b>162,349</b>	<b>244</b>	<b>-</b>	<b>(7,206)</b>	
<b>Cash flows</b>							
Premiums received	204,319	-	-	-	-	204,319	
Claims and other expenses paid	-	-	(155,159)	-	-	(155,159)	
Insurance acquisition cash flows	(31,425)	-	-	-	-	(31,425)	
<b>Total cash flows</b>	<b>172,894</b>	<b>-</b>	<b>(155,159)</b>	<b>-</b>	<b>-</b>	<b>17,735</b>	
<b>Allocation from assets for insurance acquisition cash flows to groups of insurance contracts</b>	<b>(558)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>558</b>	<b>-</b>	
<b>Other movements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net insurance contract liabilities as at 31/12</b>	<b>40,202</b>	<b>161</b>	<b>36,039</b>	<b>1,281</b>	<b>(6,658)</b>	<b>71,025</b>	
Insurance contract liabilities as at 31/12	40,202	161	36,039	1,281	(6,658)	71,025	
Insurance contract assets as at 31/12	-	-	-	-	-	-	
<b>Net insurance contract assets/(liabilities) as at 31/12</b>	<b>40,202</b>	<b>161</b>	<b>36,039</b>	<b>1,281</b>	<b>(6,658)</b>	<b>71,025</b>	

Insurance acquisition cash flows were allocated on a straight-line basis during the coverage period of the respective group of contracts.

	2022						
	Liabilities for remaining coverage		Liabilities for Incurred claims			Assets for insurance acquisition cash flows	TOTAL
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment			
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Insurance contract liabilities as at 01/01	49,385	50	29,200	1,178	(12,145)	67,668	
Insurance contract assets as at 01/01	-	-	-	-	-	-	
<b>Net Insurance contract assets/(liabilities) as at 01/01</b>	<b>49,385</b>	<b>50</b>	<b>29,200</b>	<b>1,178</b>	<b>(12,145)</b>	<b>67,668</b>	
Insurance Revenue	(173,173)	-	-	-	-	(173,173)	
Insurance service expenses	31,223	58	127,683	(141)	-	158,823	
Incurred claims and other expenses	-	-	120,154	(141)	-	120,013	
Amortisation of insurance acquisition cash flows	31,223	-	-	-	-	31,223	
Losses on onerous contracts and reversals of those losses	-	58	-	-	-	58	
Changes to liabilities for incurred claims	-	-	7,529	-	-	7,529	
<b>Insurance service result</b>	<b>(141,950)</b>	<b>58</b>	<b>127,683</b>	<b>(141)</b>	<b>-</b>	<b>(14,350)</b>	
<b>Insurance finance expenses</b>	<b>-</b>	<b>-</b>	<b>(38)</b>	<b>-</b>	<b>-</b>	<b>(38)</b>	
<b>Total changes in the statement of comprehensive income</b>	<b>(141,950)</b>	<b>58</b>	<b>127,645</b>	<b>(141)</b>	<b>-</b>	<b>(14,388)</b>	
<b>Cash flows</b>							
Premiums received	158,998	-	-	-	-	158,998	
Claims and other expenses paid	-	-	(127,996)	-	-	(127,996)	
Insurance acquisition cash flows	(23,786)	-	-	-	-	(23,786)	
<b>Total cash flows</b>	<b>135,212</b>	<b>-</b>	<b>(127,996)</b>	<b>-</b>	<b>-</b>	<b>7,216</b>	
<b>Allocation from assets for insurance acquisition cash flows to groups of insurance contracts</b>	<b>(4,929)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,929</b>	<b>-</b>	
<b>Other movements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	<b>37,718</b>	<b>108</b>	<b>28,849</b>	<b>1,037</b>	<b>(7,216)</b>	<b>60,496</b>	
<b>Net insurance contract liabilities as at 31/12</b>							
Insurance contract liabilities as at 31/12	37,718	108	28,849	1,037	(7,216)	60,496	
Insurance contract assets as at 31/12	-	-	-	-	-	-	
<b>Net insurance contract assets/(liabilities) as at 31/12</b>	<b>37,718</b>	<b>108</b>	<b>28,849</b>	<b>1,037</b>	<b>(7,216)</b>	<b>60,496</b>	

Insurance acquisition cash flows were allocated on a straight-line basis during the coverage period of the respective group of contracts.

The expected timing of when assets for insurance acquisition cash flows will be derecognised and included in the measurement of the group of insurance contracts to which they are allocated is disclosed in the table below:

	2023						
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Expected timing of derecognition of assets balances as at 31/12	6,203	168	157	97	33	-	6,658

	2022						
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Expected timing of derecognition of assets balances as at 31/12	5,948	471	329	255	179	34	7,216

## 15.1.2 Commercial

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for Commercial product line, is disclosed in the table below:

	2023						TOTAL \$'000
	Liabilities for remaining coverage		Liabilities for Incurred claims		Assets for insurance acquisition cash flows \$'000		
	Excluding loss component \$'000	Loss Component \$'000	Estimates of the present value of future cash flows \$'000	Risk adjustment \$'000			
Insurance contract liabilities as at 01/01	(955)	-	4,840	213	(64)	4,034	
Insurance contract assets as at 01/01	-	-	-	-	-	-	
<b>Net Insurance contract assets/(liabilities) as at 01/01</b>	<b>(955)</b>	<b>-</b>	<b>4,840</b>	<b>213</b>	<b>(64)</b>	<b>4,034</b>	
Insurance Revenue	(60,032)	-	-	-	-	(60,032)	
Insurance service expenses	873	-	46,806	1,096	-	48,775	
Incurred claims and other expenses	-	-	50,987	1,096	-	52,083	
Amortisation of insurance acquisition cash flows	873	-	-	-	-	873	
Losses on onerous contracts and reversals of those losses	-	-	-	-	-	-	
Changes to liabilities for incurred claims	-	-	(4,181)	-	-	(4,181)	
<b>Insurance service result</b>	<b>(59,159)</b>	<b>-</b>	<b>46,806</b>	<b>1,096</b>	<b>-</b>	<b>(11,257)</b>	
<b>Insurance finance expenses</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>15</b>	
<b>Total changes in the statement of comprehensive income</b>	<b>(59,159)</b>	<b>-</b>	<b>46,821</b>	<b>1,096</b>	<b>-</b>	<b>(11,242)</b>	
<b>Cash flows</b>							
Premiums received	62,208	-	-	-	-	62,208	
Claims and other expenses paid	-	-	(23,367)	-	-	(23,367)	
Insurance acquisition cash flows	(972)	-	-	-	-	(972)	
<b>Total cash flows</b>	<b>61,236</b>	<b>-</b>	<b>(23,367)</b>	<b>-</b>	<b>-</b>	<b>37,869</b>	
<b>Allocation from assets for insurance acquisition cash flows to groups of insurance contracts</b>	<b>(62)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62</b>	<b>-</b>	
<b>Other movements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net insurance contract liabilities as at 31/12</b>	<b>1,060</b>	<b>-</b>	<b>28,294</b>	<b>1,309</b>	<b>(2)</b>	<b>30,661</b>	
Insurance contract liabilities as at 31/12	1,060	-	28,294	1,309	(2)	30,661	
Insurance contract assets as at 31/12	-	-	-	-	-	-	
<b>Net insurance contract assets/(liabilities) as at 31/12</b>	<b>1,060</b>	<b>-</b>	<b>28,294</b>	<b>1,309</b>	<b>(2)</b>	<b>30,661</b>	

	2022						
	Liabilities for remaining coverage		Liabilities for Incurred claims			Assets for insurance acquisition cash flows	TOTAL
	Excluding loss component	Loss Component	Estimates of the present value of future cash flows	Risk adjustment	\$'000		
						\$'000	\$'000
Insurance contract liabilities as at 01/01	979	-	4,818	248	(44)	6,001	
Insurance contract assets as at 01/01	-	-	-	-	-	-	
<b>Net Insurance contract assets/(liabilities) as at 01/01</b>	<b>979</b>	<b>-</b>	<b>4,818</b>	<b>248</b>	<b>(44)</b>	<b>6,001</b>	
Insurance Revenue	(30,127)	-	-	-	-	(30,127)	
Insurance service expenses	216	-	18,390	(35)	-	18,571	
Incurred claims and other expenses	-	-	17,511	(35)	-	17,476	
Amortisation of insurance acquisition cash flows	216	-	-	-	-	216	
Losses on onerous contracts and reversals of those losses	-	-	-	-	-	-	
Changes to liabilities for incurred claims	-	-	879	-	-	879	
<b>Insurance service result</b>	<b>(29,911)</b>	<b>-</b>	<b>18,390</b>	<b>(35)</b>	<b>-</b>	<b>(11,556)</b>	
<b>Insurance finance expenses</b>	<b>-</b>	<b>-</b>	<b>(47)</b>	<b>-</b>	<b>-</b>	<b>(47)</b>	
<b>Total changes in the statement of comprehensive income</b>	<b>(29,911)</b>	<b>-</b>	<b>18,343</b>	<b>(35)</b>	<b>-</b>	<b>(11,603)</b>	
<b>Cash flows</b>							
Premiums received	28,193	-	-	-	-	28,193	
Claims and other expenses paid	-	-	(18,321)	-	-	(18,321)	
Insurance acquisition cash flows	(236)	-	-	-	-	(236)	
<b>Total cash flows</b>	<b>27,957</b>	<b>-</b>	<b>(18,321)</b>	<b>-</b>	<b>-</b>	<b>9,636</b>	
<b>Allocation from assets for insurance acquisition cash flows to groups of insurance contracts</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20)</b>	<b>-</b>	
<b>Other movements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net insurance contract liabilities as at 31/12</b>	<b>(955)</b>	<b>-</b>	<b>4,840</b>	<b>213</b>	<b>(64)</b>	<b>4,034</b>	
Insurance contract liabilities as at 31/12	(955)	-	4,840	213	(64)	4,034	
Insurance contract assets as at 31/12	-	-	-	-	-	-	
<b>Net insurance contract assets/(liabilities) as at 31/12</b>	<b>(955)</b>	<b>-</b>	<b>4,840</b>	<b>213</b>	<b>(64)</b>	<b>4,034</b>	

The expected timing of when assets for insurance acquisition cash flows will be derecognised and included in the measurement of the group of insurance contracts to which they are allocated is disclosed in the table below:

	2023							Total
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years		
Expected timing of derecognition of assets balances as at 31/12	2	-	-	-	-	-	2	
	2022							Total
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years		
Expected timing of derecognition of assets balances as at 31/12	64	-	-	-	-	-	64	

## 15.2 Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims

### 15.2.1 Retail

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims

	2023				TOTAL \$'000
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss component \$'000	Loss-recovery Component \$'000	Estimates of the PV of future cash flows \$'000	Risk adjustment \$'000	
Reinsurance contract assets as at 01/01	-	-	-	-	-
Reinsurance contract liabilities as at 01/01	(1,039)	-	224	-	(815)
<b>Net reinsurance contract assets/(liabilities) as at 31/12</b>	<b>(1,039)</b>	<b>-</b>	<b>224</b>	<b>-</b>	<b>(815)</b>
An allocation of reinsurance premiums	(6,018)	-	-	-	(6,018)
Amounts recoverable from reinsurers for incurred claims	-	-	13	-	13
Amounts recoverable for incurred claims and other expenses	-	-	13	-	13
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	-	-	-
Reinsurance Investment components	-	-	-	-	-
<b>Net income or expense from reinsurance contracts held</b>	<b>(6,018)</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>(6,005)</b>
<b>Reinsurance finance income/(expense)</b>	<b>-</b>	<b>-</b>	<b>(14)</b>	<b>-</b>	<b>(14)</b>
<b>Effect of changes in non-performance risk of reinsurers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total changes in the statement of comprehensive income</b>	<b>(6,018)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(6,019)</b>
<b>Cash flows</b>					
Premiums paid	5,197	-	-	-	5,197
Amounts received	-	-	(187)	-	(187)
<b>Total cash flows</b>	<b>5,197</b>	<b>-</b>	<b>(187)</b>	<b>-</b>	<b>5,010</b>
<b>Other movements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net reinsurance contract assets/(liabilities) as at 31/12</b>	<b>(1,860)</b>	<b>-</b>	<b>36</b>	<b>-</b>	<b>(1,824)</b>
Reinsurance contract assets as at 31/12	-	-	-	-	-
Reinsurance contract liabilities as at 31/12	(1,860)	-	36	-	(1,824)
<b>Net reinsurance contract assets/(liabilities) as at 31/12</b>	<b>(1,860)</b>	<b>-</b>	<b>36</b>	<b>-</b>	<b>(1,824)</b>

	2022				TOTAL
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss component	Loss-recovery Component	Estimates of the PV of future cash flows	Risk adjustment	
	\$'000	\$'000	\$'000	\$'000	\$'000
Reinsurance contract assets as at 01/01	(924)	-	2,406	-	1,482
Reinsurance contract liabilities as at 01/01	-	-	-	-	-
<b>Net reinsurance contract assets/(liabilities) as at 31/12</b>	<b>(924)</b>		<b>2,406</b>		<b>1,482</b>
An allocation of reinsurance premiums	(5,322)	-	-	-	(5,322)
Amounts recoverable from reinsurers for incurred claims	-	-	390	-	390
Amounts recoverable for incurred claims and other expenses	-	-	390	-	390
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	-	-	-
Reinsurance Investment components	-	-	-	-	-
<b>Net income or expense from reinsurance contracts held</b>	<b>(5,322)</b>	<b>-</b>	<b>390</b>	<b>-</b>	<b>(4,932)</b>
<b>Reinsurance finance income/(expense)</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Total changes in the statement of comprehensive income</b>	<b>(5,322)</b>		<b>391</b>	<b>-</b>	<b>(4,931)</b>
<b>Cash flows</b>					
Premiums paid	5,207	-	-	-	5,207
Amounts received	-	-	(2,573)	-	(2,573)
<b>Total cash flows</b>	<b>5,207</b>	<b>-</b>	<b>(2,573)</b>	<b>-</b>	<b>2,634</b>
<b>Other movements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net reinsurance contract assets/(liabilities) as at 31/12</b>	<b>(1,039)</b>	<b>-</b>	<b>224</b>	<b>-</b>	<b>(815)</b>
Reinsurance contract assets as at 31/12	-	-	-	-	-
Reinsurance contract liabilities as at 31/12	(1,039)	-	224	-	(815)
<b>Net reinsurance contract assets/(liabilities) as at 31/12</b>	<b>(1,039)</b>	<b>-</b>	<b>224</b>	<b>-</b>	<b>(815)</b>

## 15.2.2 Commercial

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims

	2023				TOTAL
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss component	Loss-recovery Component	Estimates of the PV of future cash flows	Risk adjustment	
	\$'000	\$'000	\$'000	\$'000	\$'000
Reinsurance contract assets as at 01/01	(3,120)	-	3,741	171	792
Reinsurance contract liabilities as at 01/01	-	-	-	-	-
<b>Net reinsurance contract assets/(liabilities) as at 31/12</b>	<b>(3,120)</b>	<b>-</b>	<b>3,741</b>	<b>171</b>	<b>792</b>
An allocation of reinsurance premiums	(46,306)	-	-	-	(46,306)
Amounts recoverable from reinsurers for incurred claims	-	-	34,845	950	35,795
Amounts recoverable for incurred claims and other expenses	-	-	34,845	950	35,795
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	-	-	-
Reinsurance Investment components	-	-	-	-	-
<b>Net income or expense from reinsurance contracts held</b>	<b>(46,306)</b>	<b>-</b>	<b>34,845</b>	<b>950</b>	<b>(10,511)</b>
<b>Reinsurance finance income/(expense)</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>11</b>
<b>Effect of changes in non-performance risk of reinsurers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total changes in the statement of comprehensive income</b>	<b>(46,306)</b>	<b>-</b>	<b>34,856</b>	<b>950</b>	<b>(10,500)</b>
<b>Cash flows</b>					
Premiums paid	34,124	-	-	-	34,124
Amounts received	-	-	(9,641)	-	(9,641)
<b>Total cash flows</b>	<b>34,124</b>	<b>-</b>	<b>(9,641)</b>	<b>-</b>	<b>24,483</b>
<b>Other movements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net reinsurance contract assets/(liabilities) as at 31/12</b>	<b>(15,302)</b>	<b>-</b>	<b>28,956</b>	<b>1,121</b>	<b>14,775</b>
Reinsurance contract assets as at 31/12	(15,302)	-	28,956	1,121	14,775
Reinsurance contract liabilities as at 31/12	-	-	-	-	-
<b>Net reinsurance contract assets/(liabilities) as at 31/12</b>	<b>(15,302)</b>	<b>-</b>	<b>28,956</b>	<b>1,121</b>	<b>14,775</b>

	2022				TOTAL
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss component	Loss-recovery Component	Estimates of the PV of future cash flows	Risk adjustment	
	\$'000	\$'000	\$'000	\$'000	
Reinsurance contract assets as at 01/01	2,722	-	3,959	209	6,890
Reinsurance contract liabilities as at 01/01	-	-	-	-	-
<b>Net reinsurance contract assets/(liabilities) as at 31/12</b>	<b>2,722</b>	<b>-</b>	<b>3,959</b>	<b>209</b>	<b>6,890</b>
An allocation of reinsurance premiums	(22,510)	-	-	-	(22,510)
Amounts recoverable from reinsurers for incurred claims	-	-	10,733	(38)	10,695
Amounts recoverable for incurred claims and other expenses	-	-	10,733	(38)	10,695
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	-	-	-
Reinsurance Investment components	-	-	-	-	-
<b>Net income or expense from reinsurance contracts held</b>	<b>(22,510)</b>	<b>-</b>	<b>10,733</b>	<b>(38)</b>	<b>(11,815)</b>
<b>Reinsurance finance income/(expense)</b>			(33)	-	(33)
<b>Total changes in the statement of comprehensive income</b>	<b>(22,510)</b>		<b>10,700</b>	<b>(38)</b>	<b>(11,848)</b>
<b>Cash flows</b>					
Premiums paid	16,668	-	-	-	16,668
Amounts received	-	-	(10,918)	-	(10,918)
<b>Total cash flows</b>	<b>16,668</b>	<b>-</b>	<b>(10,918)</b>	<b>-</b>	<b>5,750</b>
<b>Other movements</b>					
	(3,120)	-	3,741	171	792
<b>Net reinsurance contract assets/(liabilities) as at 31/12</b>					
Reinsurance contract assets as at 31/12	(3,120)	-	3,741	171	792
Reinsurance contract liabilities as at 31/12	-	-	-	-	-
<b>Net reinsurance contract assets/(liabilities) as at 31/12</b>	<b>(3,120)</b>	<b>-</b>	<b>3,741</b>	<b>171</b>	<b>792</b>

## 16. Property, plant, and equipment

	Furniture & Fixtures \$'000	Computer Software \$'000	Computer Hardware \$'000	Office Equipment \$'000	TOTAL \$'000
<b>Cost or valuation</b>					
At 1 January 2022	1,381	2,116	1,017	331	4,845
Additions	1	1,729	149	31	1,910
Disposals	-	(3,079)	(9)	-	(3,088)
<b>At 31 December 2022</b>	<b>1,382</b>	<b>766</b>	<b>1,157</b>	<b>362</b>	<b>3,667</b>
Additions	270	40	367	58	735
Disposals	(851)	(40)		(141)	(1,032)
<b>At 31 December 2023</b>	<b>801</b>	<b>766</b>	<b>1,524</b>	<b>279</b>	<b>3,370</b>
<b>Depreciation and impairment (pre allocation of expenses to Insurance Service Expense)</b>					
At 1 January 2022	(550)	(1,247)	(485)	(193)	(2,475)
Additions	(411)	(2,211)	(236)	(91)	(2,949)
Disposals	-	3,079	11	-	3,090
<b>At 31 December 2022</b>	<b>(961)</b>	<b>(379)</b>	<b>(710)</b>	<b>(284)</b>	<b>(2,334)</b>
Additions	(40)	(277)	(290)	(48)	(655)
Disposals	831			138	969
<b>At 31 December 2023</b>	<b>(170)</b>	<b>(656)</b>	<b>(1,000)</b>	<b>(194)</b>	<b>(2,020)</b>
<b>Net book value</b>					
At 31 December 2023	631	110	524	85	1,350
At 31 December 2022	421	387	447	78	1,333



## 17. Right-of-use assets

	Property \$'000	Equipment \$'000	Software \$'000	Motor Vehicles \$'000	TOTAL \$'000
<b>Cost or valuation</b>					
At 1 January 2022	5,819	277	1,758	-	7,854
Additions	114	111	1,247	-	1,472
Disposals	(1,866)	(277)	(1,480)	-	(3,623)
Modifications	-	-	-	-	-
<b>At 31 December 2022</b>	<b>4,067</b>	<b>111</b>	<b>1,525</b>	<b>-</b>	<b>5,703</b>
Additions	147	-	109	53	309
Disposals	(2,358)	-	(99)	-	(2,457)
Modifications	-	-	-	-	-
<b>At 31 December 2023</b>	<b>1,856</b>	<b>111</b>	<b>1,535</b>	<b>53</b>	<b>3,555</b>
<b>Depreciation and impairment</b>					
At 1 January 2022	(2,205)	(217)	(1,259)	-	(3,681)
Additions	(709)	(67)	(504)	-	(1,280)
Disposals	1,866	277	1,481	-	3,624
Modifications	-	-	-	-	-
<b>At 31 December 2022</b>	<b>(1,048)</b>	<b>(7)</b>	<b>(282)</b>	<b>-</b>	<b>(1,337)</b>
Additions	(241)	(28)	(525)	(9)	(803)
Disposals	712	-	99	-	811
Modifications	-	-	-	-	-
<b>At 31 December 2023</b>	<b>(577)</b>	<b>(35)</b>	<b>(708)</b>	<b>(9)</b>	<b>(1,329)</b>
<b>Net book value</b>					
<b>At 31 December 2023</b>	<b>1,279</b>	<b>76</b>	<b>827</b>	<b>44</b>	<b>2,226</b>
<b>At 31 December 2022</b>	<b>3,019</b>	<b>104</b>	<b>1,243</b>	<b>-</b>	<b>4,366</b>

During the year the Company leased new premises at Level 17, 412 St Kilda Road, Melbourne. The previous lease at Level 8, 390 St Kilda Road was not renewed.

## 18. Other payables

	2023 \$'000	2022 Restated \$'000
Accrued expenses	3,158	5,617
Other payables	11,838	11,871
	<b>14,996</b>	<b>17,488</b>

For the maturity profile, please refer to Note 6c.

## 19. Lease liabilities

	2023 \$'000	2022 \$'000
<b>Balance at 1 January</b>	4,534	4,326
Additions	309	1,473
Modifications	-	-
Termination of lease	(1,865)	-
Repayment of lease liabilities	(770)	(1,403)
Interest on lease liabilities	143	138
<b>Balance at 31 December</b>	<b>2,351</b>	<b>4,534</b>

<b>Maturity</b>		
Expected to be realised within 12 months	692	687
Expected to be realised after 12 months	1,659	3,847
	<b>2,351</b>	<b>4,534</b>

### Guarantees

Lessor	Term	Issuer	2023 \$'000	2022 \$'000
RCP Property Australia Pty Ltd	Jan 2018 to Jun 2023	ANZ Bank	-	195
<b>Total Bank Guarantee</b>			<b>-</b>	<b>195</b>

## 20. Employee benefits provision

	2023 \$'000	2022 \$'000
Annual leave	1,471	1,583
Long service leave	1,325	1,030
Other employee benefits	1,192	2,210
<b>Total employee benefits provision</b>	<b>3,988</b>	<b>4,823</b>

<b>Maturity</b>		
Expected to be realised within 12 months	3,874	4,662
Expected to be realised after 12 months	114	161
	<b>3,988</b>	<b>4,823</b>

## 21. Contributed equity

	2023 \$'000	2022 \$'000
Authorised/Fully paid ordinary shares opening balance	87,800	87,800
Additional equity contribution	-	-
<b>Authorised/Fully paid ordinary shares closing balance</b>	<b>87,800</b>	<b>87,800</b>

	Number of shares	Number of shares
Authorised/Fully paid ordinary shares (\$1.00 per share)	87,800	87,800

### **Terms and conditions of contributed equity**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

## 22. Cash flow statement

	2023 \$'000	2022 \$'000
<b>Reconciliation of the operating profit after tax to the net cash flows from operations:</b>		
Net profit/(loss) from ordinary activities	2,311	3,700
<b>Deduct:</b>		
Depreciation expense	1,301	4,228
Gain on disposal of property, plant and equipment	(2)	-
Interest paid on lease liabilities	144	138
<b>Profit/(loss) from operating activities</b>	<b>3,754</b>	<b>8,066</b>
(Increase)/decrease in current tax assets	(2,240)	(3,513)
(Increase)/decrease in deferred tax assets	(1,186)	(432)
Decrease)/increase in deferred tax liabilities	2,208	-
(Decrease)/increase in employee benefits provision	(835)	556
((Decrease)/increase in insurance contract liabilities	37,156	(9,138)
((Decrease)/increase in other payables	(2,492)	1,582
(Increase)/decrease in other receivables	(1,741)	163
(Increase)/decrease in reinsurance contract assets/liabilities	(12,974)	8,395
<b>Net cash flows from/(used in) operating activities</b>	<b>21,650</b>	<b>5,679</b>

## 23. Related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Management fee income	Amounts owed by related parties	Amounts owed to related parties
Aioi Nissay Dowa Insurance Co., Ltd (Japan Head Office)	2023	-	22,865	14,478
	2022	-	11,244	12,715
Aioi Nissay Dowa Insurance Co., Ltd (Australian Branch)	2023	102	-	-
	2022	235	61	-
Aioi Nissay Dowa Insurance Co., Ltd (New Zealand Branch)	2023	-	-	-
	2022	-	-	(1)
Mitsui Sumitomo Insurance Co., Ltd (Australian Branch)	2023	-	3,339	628
	2022	-	3,607	3,921

### The Ultimate Parent

The parent of the Company is Aioi Nissay Dowa Insurance Co. Limited and the ultimate parent of the Company is MS&AD Insurance Group Holdings, Inc. Both of these companies are incorporated in Japan. In 2023, Japan Head Office owns 100% of the ordinary shares in the Company (2022: 100%).

### New Zealand Branch of Aioi Nissay Dowa Insurance Co., Ltd

The New Zealand Branch of Aioi Nissay Dowa Insurance Co., Ltd is an insurance company under MS&AD Insurance Group Holdings, Inc., the same ultimate parent as the Company's.

### Australian Branch of Mitsui Sumitomo Insurance Co., Ltd

Mitsui Sumitomo Insurance Co., Ltd is a Japanese insurance company under MS&AD Insurance Group Holdings, Inc., the same ultimate parent as the Company's.

### Terms and conditions of transactions with related parties

Transactions from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the end of financial year are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 December 2023, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2022: \$Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

## 24. Remuneration of auditors

The auditor of the Company is Ernst & Young.

	2023 \$	2022 \$
Amounts received or due and receivable by Ernst & Young for:		
- An audit or review of the financial report of the Company	320,426	296,015
- Other services in relation to the Company:		
Tax compliance	25,000	55,500
	<u>345,426</u>	<u>351,515</u>

## 25. Key management personnel

	2023 \$'000	2022 \$'000
<b>Compensation of key management personnel of the Company</b>		
Short-term employee benefits:		
Salaries	2,336	1,975
Superannuation	220	183
Termination	26	-
Fringe Benefits Tax	92	92
<b>Total compensation</b>	<u>2,674</u>	<u>2,250</u>
Paid By Adica	2,543	2,173
Paid By Japan Head Office	131	77

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

## 26. Economic dependencies

The Company relies on Toyota Finance Australia (TFA) to promote the sale of its retail insurance products. This relationship is maintained through a five year Strategic Alliance Agreement signed in November 2023. Previously the relationship was maintained via an Agency Agreement signed in 2014.

## 27. Events after reporting date

No matters or circumstances have arisen since 31 December 2023 that have significantly affected, or may significantly affect:

- the operations in future years, or
- the results of those operations in future years, or
- the state of affairs in future years.



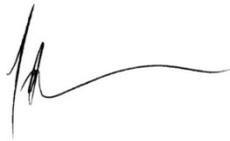
# Directors' Declaration

In the opinion of the Directors of Aioi Nissay Dowa Insurance Company Australia Pty Ltd:

- the financial statements and notes are in accordance with the *Corporations Act 2001* including:
- giving a true and fair view of the financial position of the Company as at 31 December 2023 and its performance, as represented by the results of the operations and the cash flows, for the year ended on that date; and
- complying with Australian Accounting Standards (including Australian Interpretations) and the Corporations Regulations 2001; and
- the financial report also complies with International Financial Reporting Standards as disclosed in Note 2b; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Signed:



.....

**Director: Ms Sally Freeman**

Signed in Melbourne this 26<sup>th</sup> of March 2024



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## Independent Auditor's Report to the Members of Aioi Nissay Dowa Insurance Company Australia Pty Ltd

### Opinion

We have audited the financial report of Aioi Nissay Dowa Insurance Company Australia Pty Ltd ("the Company"), which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Company's financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### 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 are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and 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.

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

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

If, based on the work we have performed, 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.



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### 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 Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Hayley Watson' in a cursive style.

Hayley Watson  
Partner  
Melbourne  
26 March 2024

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**adica**  
INSURANCE

**MS&AD**  
INSURANCE GROUP

**AIOI NISSAY DOWA INSURANCE COMPANY AUSTRALIA PTY LTD (ADICA)**

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