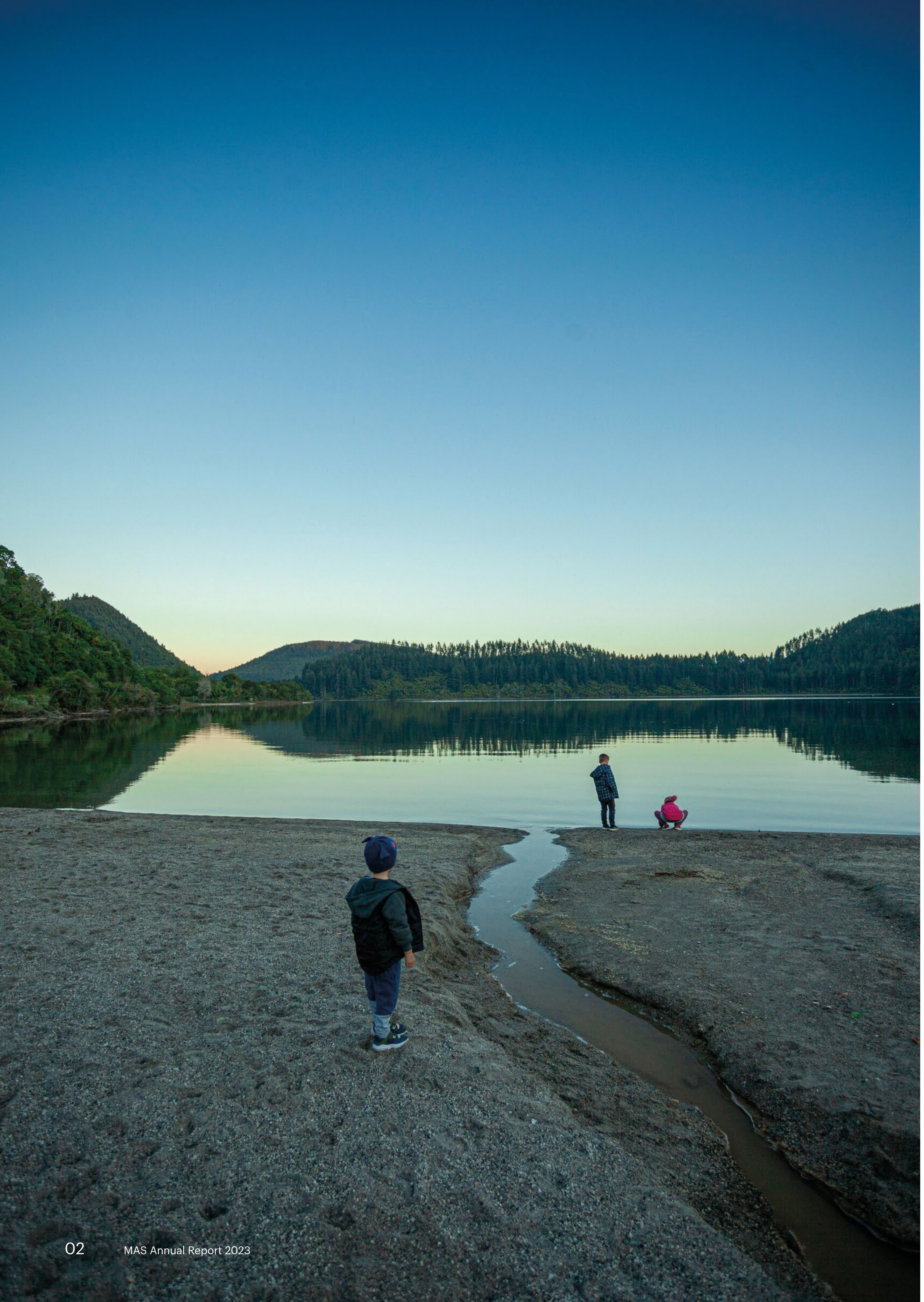
Annual Report
2023

mas

Contents



MAS remains resilient despite challenging times

The 2023 financial year will be remembered as the toughest year since the Christchurch earthquakes for many MAS Members and the insurance industry in Aotearoa New Zealand. For MAS it was a difficult business year that showed us our fundamentals remained strong, but also reinforced the urgency for us to continue to evolve processes to improve how we serve the needs of our Members in a changing world.

Beginning in Nelson in August 2022, a sequence of extreme weather events provided us with a stark reminder that our changing climate comes with human and financial costs. The weather gathered force in January 2023 across the upper North Island and then continued with Cyclone Gabrielle. Many of our Members and their communities suffered deep emotional and material losses. Separately, the January floods and Cyclone Gabrielle rated as the second and third largest insurance events in Aotearoa New Zealand history after the Christchurch earthquakes.

Financial results

The impacts of extreme weather, combined with challenging international investment markets, contributed to MAS recording a net business loss of $10.2 million in FY 2023.

While that is a sobering result, our business fundamentals remain strong. The January floods and Cyclone Gabrielle resulted in more than 2,800 claims, but our business is structured to be ready for years like this. Our reinsurance cover, provided by a panel of global reinsurers, limited the additional claim cost to MAS of the two events to $12.6 million, without which we would have returned a profit.

The financial impacts of FY 2023 have been felt across the insurance sector in Aotearoa New Zealand, and will continue for MAS through higher reinsurance premiums and ongoing cost increases for claim repairs.

Importantly, the MAS Group reserves remain healthy at $225.3 million.

General Insurance

Revenue from general insurance premiums for the year was $124.8 million, an increase of 22.0% on the year prior. However, as a result of the exceptional claim costs, the general insurance business delivered a $5.5 million loss in the financial year.

Life and Disability Insurance

Life and disability services experienced another strong year, with net growth of over 500 policies in our life and income security products. We ended the year with a total of around 25,800 policies and $50.3 million in premium revenue – an increase on last year of $3.7 million. During the financial year, we supported Members with $27.8 million in claim payments.

KiwiSaver and Retirement Savings Schemes

FY 2023 was a difficult year for financial markets and investment funds the world over and the funds of the MAS KiwiSaver Scheme and MAS Retirement Savings Scheme were no exception. The dominant theme in financial markets was the surge of inflation in many countries to multi-decade highs and concerns about the impacts that central banks' efforts to bring inflation down to target would have on individual economies.

Like many other providers, this meant all the funds in the MAS KiwiSaver Scheme and MAS Retirement Savings Scheme (with the notable exception of the Cash Fund) delivered negative returns for the 12 months to 31 March 2023. However, there were signs of improvement, as all our funds showed positive returns in the final quarter of the year and this has continued after year end.

Despite the periodic downturns, as at 31 March 2023 we had $2.2 billion under management across our schemes, and more than 18,000 members and growing.

Consumer NZ People's Choice Award

For the seventh year running MAS was awarded the Consumer NZ's People's Choice Award in three categories: house, contents and car insurance. The award is primarily a measure of our Member's satisfaction with the service they receive from our frontline team. During a difficult year for so many, this ongoing recognition from our Members is a tribute to our frontline staff's unrelenting focus on meeting the individual needs of our Members.

Regulatory remediation

During the year we continued to resolve errors resulting from manual systems, processes, and controls and provided refunds to affected Members. I was pleased with the efforts of our people to identify and resolve these errors. In the main, affected Members have been grateful for the clear communication and refunds they have received through this process. We self-reported our errors to the Financial Markets Authority (FMA), and have been working closely with the FMA on a satisfactory resolution.

MAS is not the only organisation in the financial services industry to face issues like these. The work has reinforced the importance of our strategy to improve our data and technology capabilities.

Climate change

MAS has made considerable progress in measuring its carbon footprint, which aligns with our purpose of inspiring a healthier Aotearoa New Zealand. As part of this work, we have engaged an external carbon management and certification organisation to help identify where we currently stand, provide benchmarking, and support our efforts on meeting our sustainability goals. I'm delighted to say we have met the requirements to become a Toitū Envirocare net carbonzero certified organisation.

We will continue to integrate sustainable business practices with all parts of the business and regularly report to Members on our progress.

Outlook

The issues we have faced in FY 2023 are a reminder that MAS must change to meet our Members' changing needs. We require scale with access to sophisticated data, products aligned to that data, and technology capable of delivering the real-time, personalised service and advice that Members expect.

We are open to new ways of serving our Members better in specialised areas such as business risk insurance. Many of our Members have complex business insurance needs and we know there is demand for MAS to provide solutions in this area. We are currently investigating the idea of offering Members other providers' specialised business risk products (including access to global markets under a broker model), backed up by MAS's customer service. If successful, this could provide a model that MAS can use to expand our offer in a range of areas.

Leadership changes

The year marked the end of an era as CEO Martin Stokes departed in March after 22 years with MAS. Martin was fundamental in shaping the MAS of today and we thank him for his immense contribution. I assumed the role of Chair from Dr Harley Aish in October 2022. Harley will retire from the Board in August. I thank him for his diligent governance during his period as Chair. At the same time we also farewell long serving Board Member Lindsay Knowles who made a huge contribution to the mutual, particularly as Chair of the Audit and Risk Committee.

With a view to containing costs, the Board has made a decision to not increase the Board remuneration pool, and we will not replace Harley and Lindsay at this time. The number of Board directors has been reduced from nine to seven. The Board will be led by four practitioner directors and three commercial directors and the quality of our governance will remain unchanged.

In March we welcomed our new CEO, Jason McCracken. Jason is a dynamic and experienced insurance industry leader, and a fresh thinker, and the Board is excited to have him in charge as we continue our programme of business evolution to better meet the needs of our Members.

MAS Foundation

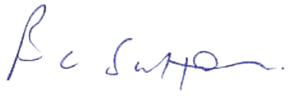
The independent MAS Foundation continued to make a valuable contribution to health and wellbeing equity in communities throughout Aotearoa New Zealand, and we were pleased to be able to contribute a further $2 million in FY 2023.

The independently governed MAS Foundation was founded in 2019 when MAS was awarded charitable status. The MAS Foundation's focus on delivering systemic change that will improve health and wellbeing equity illustrates the social value that charitable companies can add to a society. It also provides us with an enormous incentive to make our business as profitable as possible to increase the MAS Foundation's impact. On behalf of the Board, staff and Members of MAS, I extend our shared thanks and encouragement to MAS Foundation Chair Jennifer Gill, Board Trustees and Heads Dr Julie Wharewera-Mika and Mafi Funaki-Tahifote.

Thanks for your support

Thank you to our staff for their commitment to and focus on serving our Members through what has been a difficult year.

Finally, I would like to extend my thanks to our Members for your support of MAS. As your new Chair I affirm that your support is never taken for granted, and that in FY 2024 your mutual's focus remains as strong as ever in providing you with the best possible insurance and investment services in Aotearoa New Zealand.



Brett Sutton
Chair

E tū kaha tonu ana a MAS ahakoa ngā taumahatanga o te wā

Ka maharatia te tau 2023 e ngā mema o MAS me te ao inihua ki Aotearoa hei tau tino taumaha mō te taha moni - mai i te parekura rū whenua ki Ōtautahi tae noa ki tēnei rā tonu, ko te 2023 te tau tino uaua o ngā tau katoa. He tau ā-moni uaua mō MAS. I kitea te kaha o ngā tūāpapa o te manatōpū, heoi, i kitea hoki te whāwhai ki te mirimiri i ngā tukanga me ngā ratonga mō ngā mema o tēnei ao hurihuri.

I tēnei tau i kitea te utu ki te tangata, ki te pūkoro hoki, o ngā panonitanga āhuarangi. I tīmata ngā tukinga huarere kino ki Whakatū i te Ākuhata 2022, ā, ka kaha haere, nā wai rā, i te Hānuere 2023 ka āwhāngia te raki o Te Ika-a-Māui e Cyclone Gabrielle. He maha ngā Mema me ngā hapori i pāngia ā-roto rānei, ā-pūkoro rānei. Ki te wehea ngā parekura e rua, ko ngā āwhā o Hānuere me Cyclone Gabrielle te tuarua me te tuatoru o ngā kaupapa inihua tino nui o Aotearoa. Ko te rū whenua ki Ōtautahi te kaupapa tino nui rawa atu.

Hua ā-moni

Ki te tōpūngia te utu o ngā huarere wetiweti me ngā taumahatanga i pāngia ki ngā mākete moni o te ao, karekau he whiwhinga pūtea, ā, kua heke iho te $10.2 miriona (more) mō te tau moni 2023.

Ahakoa te taumaha o tērā hua ā-moni mō te tau, he tino kaha tonu ngā tūāpapa o te manatōpū. He 2,800 ngā kerēme inihua i taka iho i ngā āwhā o Hānuere me Cyclone Gabrielle - heoi, nā te kaha o te pakihi, kua rite mai mō ēnei momo tau taumaha. Nā te whakaruruhau inihua-tāpiri, he kamupene ihihua nō te ao whānui e whakatuarua ana i ngā utu inihua, he $12.6 miriona tāra noa iho te tataunga utu o ngā tukinga huarere e rua rā. Ki te kore ērā utu i whai wāhi atu ki ngā tataunga moni, ka huamoni kē ai a MAS.

Ko te utu ā-pūkoro o te tau moni 2023 he mea rongo huri noa i te ahumahi inihua ki Aotearoa, ā, ka rāngona tonuhia aua taumahatanga e MAS i te mea kua piki te utu inihua-tāpiri me ngā utu ki te whakatikatika i ngā rawa o ngā mema i pāngia ai.

Kei wareware, he $225.3 miriona tāra te nui o te pūtea kāinga rua o MAS.

Te Inihua Whānui

He $124.8 miriona tāra te whiwhinga pūtea mai i te inihua whānui, he pikinga 22.0% nō te tau o mua. Heoi, nā runga i ngā utu o ngā keremē mokorea, he hekenga pūtea o te $5.5 miriona te hua mō te tau ā-moni.

Inihua Oranga me te Hauātanga

I kaha te tau nei ki ngā ratonga Oranga me te Hauātanga, ā, kua 500 maha ake ngā hokonga inihua hōu mō te tautiaki pūtea me te oranga tangata. I te mutunga o te tau, he 25,800 ngā hokonga inihua, ā, he $50.3 miriona te whiwhinga pūtea - he $3.7 miriona tāra te pikinga nō tērā tau. I te tau moni kua taha ake, he $27.8 miriona te pūtea inihua i tukuna ki ngā Mema.

Kaupapa Penapena KiwiSaver me te Tāokinga

He uaua te tau 2023 mō ngā mākete o te ao me ngā rōpū whakatupu pūtea huri noa i te ao, ā, ko ngā ohu MAS KiwiSaver Scheme me te MAS Retirement Savings Scheme hoki ērā i pāngia e tēnei āhuatanga. Ko te kaupapa nui mō ngā mākete moni o te ao ko te pikinga o te tāmi ahumoni me te hua kino kei pā atu ki ngā ohanga ā-whenua o ngā rongoā ki aua āhuatanga. Kua pā atu aua taumahatanga ki ngā whenua huri noa i te ao. Ki ētahi whenua i piki te tāmi ahumoni ki te taumata tino teitei o ngā tekau tau e hia kē nei.

Kua heke ngā pūtea whakatupu moni katoa o MAS KiwiSaver Scheme me MAS Retirement Savings Scheme (hāunga te Cash Fund) i te 12 marama kua taha ake nei ki te 31 Māehe 2023. He āhuatanga tēnei i pā atu ki ngā pūtea whakatupu moni maha huri noa i te ao. Heoi, kua kitea pea ngā tohu o te pakaritanga o ngā pūtea whakatupu moni - i piki te pūtea i te hauwhā-tau whakamutunga, ā, e pērā hoki ana i tēnei wā.

Ahakoa te hekenga o ngā mākete moni o te ao, i te 31 o Māehe he $2.2 piriona tāra te rahi o te pūtea e tiakina ana e ngā ohu mahi moni o MAS. He 18,000 ngā mema, ā, e piki ana tērā nama ia rā.

Consumer NZ People's Choice Award

Kua whitu ngā tau a MAS e whiwhi ana i ngā tohu Consumer NZ's People's Choice Award mō te inihua whare, inihua rawa me te inihua motukā. Ko ngā tohu i whiwhia he hua o te harikoa o ngā Mema ki te ratonga o ngā kaimahi i te aro-ā-kapa o MAS. I tēnei tau taumaha mō te marea, me mihi ka tika ki ngā kaimahi i te aro-ā-kapa o MAS me tō rātou pukumahi ki te whakatutuki i ngā kaupapa huhua mō ngā Mema.

Ngā take ture

I tēnei tau i whakatikaina ngā hapa i hua mai i ngā raru whakaurunga raraunga o te tangata, ngā tukanga me ngā pūnaha o MAS. Kua whakahokia te pūtea ki ngā Mema i pāngia ai e ngā hapa. E tino mihi atu ana ki te pukumahi o ngā kaimahi nā rātou i kite i ngā hapa ka tahi, nā rātou i whakatika ēnei hapa ka rua. I harikoa te nuinga o ngā Mema ki te pūtea i whakahokia me te kaha o MAS ki te whakamōhiohio atu i ngā tukanga me ngā āhuatanga o tēnei kaupapa. Nā mātou anō ēnei hapa i whakamōhio atu ki te Mana Tātai Hokohoko (Financial Markets Authority), ā, kua mahi tahi ki te whakatika i ēnei hapa.

Ehara a MAS anake te rōpū o te ao mahi moni i raru pēnei ai. He mea whakamaumahara ki te motuhake o te rautaki tiaki raraunga me te hangarau.

Ngā Panonitanga Āhuarangi

Kua tino kutia e MAS te waro ka taka iho i āna mahi - he whaiwhai tēnei i tō mātou whāinga kia piki te hauora o te marea huri noa i Aotearoa. Ko tētahi wāhanga o te āta ine i tēnei kaupapa ko te karanga atu ki ngā ohu tuku paetaumata waro me ngā ohu whakamimiti waro. He ohu nō waho nō reira ka arotake rātou i te nui o te waro i taka iho i tēnei wā, ka whakarite pae nanaiore mā mātou, ā, ka tautoko hoki i a mātou ki te whakatutuki i aua whāinga tiaki taiao. E hari ana te ngākau kua tohua mātou e Toitū Envirocare hei ohu wara-kore-more.

Ka ngana tonu mātou ki te mirimiri i ngā mahi tiaki taiao ki ngā wāhanga katoa o te pakihi, ā, ka whakamōhiohio atu ki ngā Mema e pēhea ana aua mahi.

Te pae tawhiti

He mea whakamahara ngā taumahatanga o te tau ā-moni 2023 ki ngā hiahia o ngā Mema me te rerekē o aua hiahia i ia tau, i ia tau. Me maha ngā mema kia whai hua korahi mō te ruku ki ngā raraunga hōhonu, ngā momo whakaritenga hoko inihua e hāngai ana ki aua raraunga me ngā hangarau ki te tuku i ngā kōrero me ngā ratonga ki ngā Mema i taua wā tonu.

E tūwhera ana a MAS ki ngā kaupapa inihua hōu/motuhake mō ngā Mema, pēnei i te inihua ārai tūraru ahumoni. He maha ngā Mema e pūhuihui ana ngā wawata inihua ahumoni, ā, he wāhi pea ki a MAS ki te ruku ki aua momo kaupapa inihua. E āta wānangahia ana e mātou te hokonga atu o ngā whakaritenga inihua ahumoni o kamupene kē huri noa i te ao mō te ārai tūraru ahumoni. Ka noho a MAS hei momo takawaenga mō ngā Mema, ā, ma MAS tonu te Mema e tiaki. Ki te tutuki aua kaupapa, ka taea pea e MAS te tino whakawhānui i ōna kaupapa inihua.

Ka pū te ruha - he hautū hōu

I te Māehe o tēnei tau mutu ai a Martin Stokes hei Kaiwhakahaere matua. He 22 tau ia ki MAS. Nā Martin a MAS i tārai, i mirimiri ki te kamupene o te rā nei. Me mihi ka tika ki te kaha i whakapaua ai e ia. I tohua au hei Heamana i te Oketopa 2022. Ko Dr Harley Aish te Heamana i mua i au. Ka makere iho a Harley i te Poari ā te Ākuhata. Tēnei te mihi nunui atu ki a ia mō āna mahi hei kaitiaki, hei Heamana. Ka rere hoki te mihi pōauaua ki a Lindsay Knowles - kua roa ia ki te poari, ā, i whakapau kaha nui ai ia ki te rōpū whakatupu pūtea ka tahi, hei Heamana o te Komiti Arohaehae me te Ārai Tūraru.

Kia kore ai e taumaha rawa te utu o te poari, kua whakataua kia kore ai te utu o ngā kaitiaki o te poari e piki ake ka tahi, ka rua, kāore ngā whārua i mahue mai ai e Harley rāua ko Lindsay e whakakiia. He heke te maha o ngā kaitiaki o te Poari mai i te iwa ki te whitu. Kāore te kounga o te taha kāwana e heke, ā, ka arahina e ngā kaitiaki ihihua e whā me ngā kaitiaki ahumoni e toru.

I te Māehe tīmata ai te Kaiwhakahaere hōu, a Jason McCracken. He pou hihiri, he pou wheako, he pou whakaaro auaha hoki a Jason o te ao inihua. E hihiko ana te poari ka hautūngia e ia a MAS kia eke ki ngā taumata tiketike e wawatatia ana e ngā Mema, kia rere tika ai te waka i tēnei ao pakihi, tēnei ao hurihuri.

MAS Foundation

I kaha tonu te MAS Foundation (he rōpū tūtahi) ki te tuku pūtea ki te tautoko i ngā hapori huri noa i Aotearoa. He $2 miriona tāra te tukunga pūtea i te tau ā-moni 2023.

I whakatūngia te MAS Foundation (he rōpū tūtahi) i te tau 2019 i te tohunga o MAS hei rōpū ohaoha. Ko te whāinga o te MAS Foundation he tautoko i ngā hapori ki te whakapiki i te ora o ngā tāngata me te ngā rōpū e āhua rawa kore ana. Ka kitea i ēnei momo kaupapa ngā hua papai ki te pāpori whānui o ngā kamupene ohaoha. He mea whakakipakipa hoki i a mātou ki te whakapau i te kaha ki te whakapiki i te pūtea whiwhi kia nui noa atu te pai ka hora ki ngā hapori. Hei waha kōrero mō te Poari, ngā kaimahi, ngā Mema o MAS - tēnei te mihi atu ki a Jennifer Gill, Heamana o te MAS Foundation, ngā tarahi o tōna Poari me ngā ūpoko e rua, a Dr Julie Wharewera-Mika rāua ko Mafi Funaki-Tahifote.

He mihi whakamutunga ki a koutou

Tēnei te mihi maioha ki ngā kaimahi mō tō rātou pukumahi ki te tiaki i ō tātou Mema, ahakoa te taumaha o te tau.

Tēnei hoki te mihi whakamutunga ki ngā Mema o MAS. E kore rawa au e wareware ki tō koutou tautoko nunui mai. Ko tāku, hei Heamana hōu, ko tēnei - e aropū ana ngā kaiwhakahaere o te pūtea moni ki te tau ā-moni 2024, ā, ka whakapaungia e mātou te kaha nunui kia eke ai a MAS ki te taumata tino teitei o te kaupapa inihua me te whakatupu pūtea moni ki Aotearoa nei.

Brett Sutton
Heamana

Contents

Key Highlights

46,313
Members

$225.3m
MAS Group reserves

$50.3m
Life and Disability premium revenue

4.9%
Membership growth

$726k
MAS Foundation grants

$124.8m
General insurance gross premium

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

MAS is a Toitū net carbonzero certified organisation

$2.2bn
Member funds under management

Ambition, impact and equity

The MAS Foundation is a young and ambitious organisation with an aspiration to become one of Aotearoa New Zealand's most impactful philanthropic organisations. I'm pleased to report that the 12 months to 31 March 2023 saw us continue our steady progress towards that goal.

During the year we: refined our approach to grant making; developed funding partnerships with well established philanthropic organisations; and saw our influence within the Aotearoa philanthropic sector continue to grow.

Firstly, I would like to thank our Heads of Foundation, Dr Julie Wharewera-Mika and Mafi Funaki-Tahifote, for another year of impactful and intelligent leadership. As Julie and Mafi completed their second year of leading MAS Foundation, we saw their partnership become even more effective. We saw their influence deepen throughout the Aotearoa philanthropic sector, grounded in Julie's membership of and contribution to Te Kāhui Pūmanawa (Māori funders network), Mafi's work with the Pasifika Funders' Network and both Julie's and Mafi's relationships with Philanthropy New Zealand.

Te Tiriti o Waitangi has been the cornerstone of our approach to grant making and our organisational structure. This year we saw a number of other organisations begin investigating Te Tiriti-based leadership structures that mirrored our Co-Heads of Foundation model. This is a positive change in our sector that, alongside a more widespread adoption of Te Tiriti position statements as foundation documents, should result in more equitable funding distribution.

During the year we also worked to refine our systems approach to giving through a wānanga between our Trustees and our Heads of Foundation. We now focus on developing long-term partnerships with community-led organisations that are undertaking programmes with potential to create system change. We are also working to improve our impact-evaluation processes.

The year to 31 March saw us approve grants totalling $726,400. This was a significant reduction on the previous year when the Foundation made grants totalling $2,587,030, and reflects the fact that we are currently building relationships with multiple organisations before potentially expanding investments through full partnership grants.

During the year we made two significant partnership grants totalling $576,000 and nine smaller community koha grants totalling $150,400. We use community koha grants as a mechanism to establish relationships with different organisations, and many have the potential to progress to long-term funding through partnership grants. A full list of all our grants is available on our website foundation.mas.co.nz.

One of the two partnership grants was to Wairoa-based Te Ohonga Ake, which showed us through its actions the benefit of our high-trust, multi-year partnership approach. Te Ohonga Ake works with rangatahi (youth) to help them choose positive life paths by developing leadership skills and reconnecting with their whakapapa. This year in the aftermath of Cyclone Gabrielle our funding allowed the group's leader, Morehu Munro, to adjust course quickly and support the town's rangatahi as they dealt with the devastation the cyclone had wrought on their community and families.

The year to 31 March also saw us deepen our alliances with some of the most influential and respected organisations in New Zealand philanthropy. Alongside the Tindall Foundation, the Todd Foundation, J R McKenzie Trust and Weave, we co-funded Te Whare Aitu Trust's Te Aka Matua programme to support the wellbeing of Māori health workers who had been at the frontline response to COVID-19. Each organisation contributed $20,000 to fund a $100,000 programme. Feedback from other participants was that this project had given them a welcome opportunity to support health equity in Aotearoa, an area they typically do not support. We also partnered with the J R McKenzie Trust to support Tapa Talanoa, a Tongan women's initiative brought to life by International Kiwi Consultants.

Throughout this busy year we once again benefited from the unwavering support of outgoing MAS CEO Martin Stokes and Chair Dr Harley Aish. I would like to thank Martin and Harley for the encouragement and guidance they both offered as we established MAS Foundation. We are already enjoying a similarly supportive relationship with new CEO Jason McCracken and Chair Brett Sutton.

Our gratitude also goes to the MAS executive team, who remain unstinting in their day-to-day support of us, none more than our ever-busy MAS Foundation Operations Lead Melanie Malifa. I would also like to thank all our MAS Foundation Trustees, particularly my Deputy Chair Julia Ioane, for their dedication, expertise and support throughout the year.

My final observation from the year concerns an opportunity to measure our work against the international insurance sector. In October 2022 I attended the International Cooperative and Mutual Insurance Federation conference as part of the MAS delegation. This was a biennial gathering of the world's mutual insurers, of which many share MAS's charitable status and philanthropic programmes. While MAS may be small in the global context of insurance companies, the conference confirmed to me that our approach to philanthropy gives us reason to stand proud. Among global insurers, MAS is unique in having an aligned but independent foundation working nationally to improve health outcomes for the entire country.

In closing, on behalf of the MAS Foundation Trustees and operational team, I would like to thank MAS Members for giving us the opportunity to work on their behalf to improve health and wellbeing equity in Aotearoa New Zealand.

Jennifer Gill, ONZM
Chair, MAS Foundation

Whaia te iti kahurangi kia whai hua ai te katoa

He rōpū hōu te MAS Foundation, heoi, ko ōna wawata he nunui - kia kiia ai ia ko tētahi o ngā rōpū ohaoha tino pai rawa atu ki Aotearoa nei. E harikoa ana au i te mea i te 12 marama kua taha ake (ki te 31 Maehe 2023) e koke whakamua tonu ana te waka ki taua iti kahurangi.

Kua mirimirihia ngā pūnaha tuku pūtea; kua whai whanaungatanga ki ētahi rōpū ohaoha nunui; kua whai mana hoki mātou i te ao ohaoha ki Aotearoa nei.

Tuatahi, ka rere atu ngā mihi ki ngā Ūpoko o te MAS Foundation, ki a Dr Julie Wharewera-Mika rāua ko Mafi Funaki-Tahifote, mō tō rāua hautū i te waka i tēnei tau. I te otinga o tō rāua tau tuarua hei Ūpoko o te MAS Foundation i tino kitea te kaha o taua whanaungatanga me ngā hua o tērā. Ka kitea te pikinga o tō rāua mana ki te ao ohaoha ki Aotearoa nei, he hua pea o tō Julie urunga atu ki te kaupapa Te Kāhui Pūmanawa, tō Mafi wāhi ki te Pasifika Funders' Network, tō rāua whanaungatanga rānei ki Philanthropy New Zealand.

Mai i taua wā, ko te Tiriti o Waitangi te tūāpapa o ngā whakataunga tuku moni me te ohu whānui. I tēnei tau i kitea ai ngā ohu maha e whai atu ana i te anga whakahaere Te Tiriti - he whakahaerenga pēnei i tō mātou.

He āhuatanga hōu pai tēnei mō te ahu ohaoha. Ki te whāia tonutia tēnei momo āhuatanga - Te Tiriti hei kaiārahi - ki ngā tuhinga ōkawa o ngā ohu, ka taka iho ngā papainga ki te hunga tika.

I tēnei tau wānanga tahi ai ngā tarahī me ngā Ūpoko o te MAS Foundation ki te mirimiri i ngā pūnaha tuku pūtea. Ko te aronga ināianei ko te whakawhanake i ngā herenga me ngā whanaungatanga ki ngā rōpū hapori e aro ana ki ngā kaupapa whakaora tangata, whakaora hapori hei ngā rā, ngā marama, ngā tau maha kei mua i te aroaro. Kei te whakapakari hoki mātou i ngā tukanga arotake i ngā hua o te tukunga moni.

I tēnei tau ki te 31 Maehe, he $726,400 te nui o te pūtea i tukuna. He hekenga nunui tēnei nō te $2,587,030, i tukuna i tērā tau - he hua tēnei o te aropū ki te tupu i ngā whanaungatanga ki ngā ohu maha i mua i te tuku pea i te pūtea herenga ohu hei ngā tau kei mua i te aroaro.

E rua ngā tukunga pūtea herenga ohu i tēnei tau - he $576,000 te tataunga. E iwa ngā koha hapori i tukuna, he $150,400 te tataunga o aua pūtea tākoha. Ko te pūtea koha hapori he ara ki te takitaki i ngā whanaungatanga ki ngā ohu rerekē o tēnā takiwā, o tēnā takiwā, ā, he wāhi pea ki te whakapiki i te pūtea e tukuna ana ki aua ohu i raro i te korowai o te tukunga pūtea herenga ohu. Ko te rārangi o ngā pūtea kua tukuna kei te pae tukutuku foundation.mas.co.nz.

Ko tētahi o ngā tukunga pūtea herenga-ohu i riro atu ki Te Ohonga Ake nō Te Wairoa. I whiwhia te pūtea nā runga i a rātou mahi, te painga o te herenga i waenga i ngā ohu me te pono marika o MAS Foundation ki ngā hua ka taka iho i Te Ohonga Ake. Ka āwhina a Te Ohonga Ake i te rangatahi ki te takahi i te ara tika mōna. Ka whakawhanakehia ōna pūkenga, ā, ka tautokona ia ki te whakahonohono ki ōna whakapapa. I tēnei tau, whai muri i ngā āwhā o Cyclone Gabrielle i tukuna te pūtea, ā, i tere mirimirihia e te kaiarahia, e Morehu Munro, te kaupapa ki te tautoko i ngā rangatahi o te tāone nā runga i ngā taumahatanga i utaina ki runga i te hapori me ōna whānau.

I tēnei tau ki te 31 Maehe I mārō ake ngā herenga ki ngā rōpū ohaoha tino mana nui o Aotearoa nei. I mahi tahi mātou ko te Tindall Foundation, Todd Foundation, JR McKenzie Trust me Weave, ki te whakahaere i te kaupapa Te Aka Matua o Te Whare Aitu Trust - he kaupapa ki te tautoko i ngā kaimahi Māori i te aro-ā-kapa o te whawhai urutā Korona. I tukuna e ia rōpū te $20,000, ā, he $100,000 te tataunga. Ko ngā kōrero i hoki mai i te hunga i whai wāhi ki te kaupapa rā - he tino pai te tautoko i ngā kaimahi hauora e tika ana hei tautoko ki Aotearoa nei i te mea ehara i te rōpū i tino tautokona e rātou i ngā tau kua taha. I hono atu hoki ki te JR McKenzie Trust ki te tautoko i te 'Tapa Talanoa' - he kaupapa mō ngā wāhine o Tonga. He mea whakaora e International Kiwi Consultants.

Ahakoa ngā piki me ngā heke o tēnei tau, i tautokona mārikahia mātou e Martin Stokes rāua ko Dr Harley Aish, te kaiwhakahaere matua me te heamana e wehe atu ana. Tēnei taku mihi ki a Martin rāua ko Harley mō tō rāua kaha ki te akiaki me te āwhina mai i au i te whakatūnga o te MAS Foundation. He waimarie nō mātou i te mea e rongo hoki ana i taua wairua manaaki i ngā kaiwhakahaere hōu o MAS, i a Jason McCracken rāua ko te Heamana a Brett Sutton.

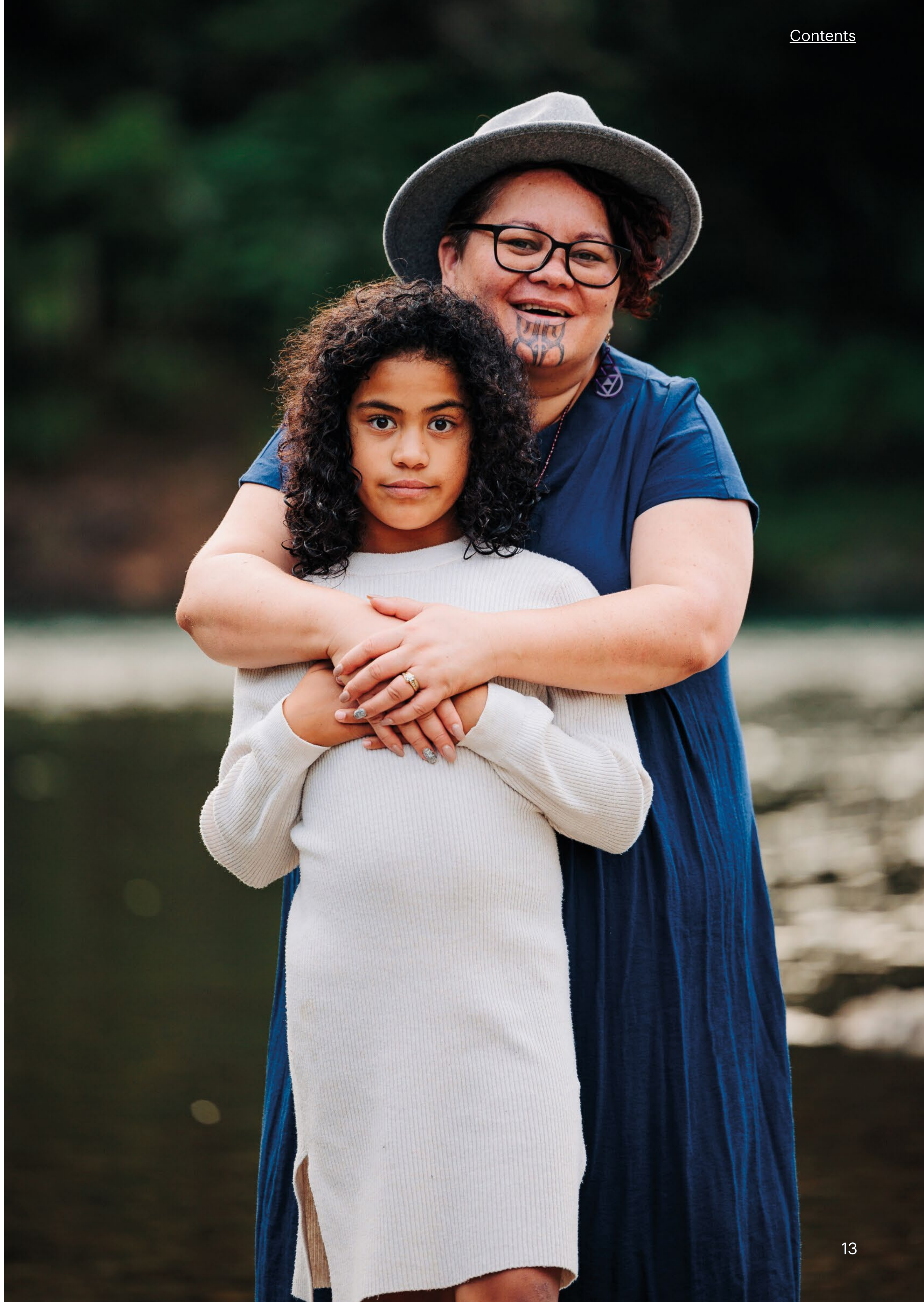
Ka rere hoki ngā mihi ki ngā kaimahi whakahaere o MAS me tō rātou kaha ki te tautoko i a mātou ia rā, ia rā, ia rā. Me mihi ka tika ki a Melanie Malifa, te MAS Foundation Operations Lead. E kore e mahue ngā mihi ki ngā tarahī o te MAS Foundation, ki taku heamana tuarua ki a Julia Ioane, mō te pukumahi me te tautoko mutunga kore i te tau kua taha ake.

Hei kupu whakamutunga mō te tau - te whakataurite i a tātou anō ki ngā kamupene ihihua nō tāwāhi. I te Oketopa 2022 i tae ā-tinana atu mātou ko te kāhui o MAS ki te hui International Cooperative and Mutual Insurance Federation (ICMIF). He huinga ā-rua-tau tēnei o ngā kamupene inihua - he maha ngā rōpū o te kaupapa rā he ohaoha hoki.

Ahakoa te iti o MAS i te ao hurihuri, nā te hui rā i mārō i roto i au te whakapono ki te tika o tō tātou kaupapa me tōna tūāpapa ohaoha. He motuhake a MAS i te mea o ngā kamupene inihua huri noa i te ao, ko MAS tētahi o te tokoiti e whai rōpū ohaoha tūtahi e mahi ā-motu ana ki te whakapakari i te oranga o te tangata me te hapori.

Hei whakakapi i te wāhi ki au, te waha kōrero mō ngā tarahī o te MAS Foundation me ōna kaimahi - tēnei te mihi ki ngā Mema o MAS mō tō tautoko i a mātou ki te eke ki tō tātou iti kahurangi.

Jennifer Gill, ONZM
Heamana, MAS Foundation



Our Board of Directors

Brett Sutton
Chairperson

Appointed as Chairperson 28 September 2022
Appointed to the Board 15 February 2016

Brett is an experienced independent director. He is currently Chair of Stevenson Group, Amplifi Group including Mint Asset Management, Woolyarns Group, and the Reddy Group Investment Committee, Deputy Chair of the Co-operative Bank, and a Director of Asmuss Group. His previous employment experience included senior investment roles at the New Zealand Superannuation Fund and the Todd Corporation.

Dr Doug Hill
Deputy Chairperson

Appointed as Deputy Chairperson 30 November 2022
Appointed to the Board 29 August 2018

Doug is a General Practitioner and a Director of Broadway Medical Centre, Dunedin. He has a special interest in GPSI medicine in the dual roles of orthopaedics and skin cancer surgery. Doug's roles outside General Practice are Chair of the Columba College Board of Proprietors and Chair of WellSouth Primary Health Network.

He is a member of the NZ Advisory Board of the Skin Cancer College of Australasia. He is also a chartered fellow of the Institute of Directors New Zealand.

Dr Harley Aish
Appointed 26 June 2013

Harley has been a General Practitioner in Otara, South Auckland, since 1997. He has been involved in several projects with the local District Health Board to research and improve health for the local community, integrating care, and trying new models of care. He is currently Director of ProCare Health Limited.

Professor Frank Frizelle
Appointed 28 August 2013

Frank is Professor of Surgery University of Otago, Christchurch and Clinical Director of General Surgery at Te Whatu Ora – Health New Zealand, (Christchurch and West Coast). He is Editor in Chief of the New Zealand Medical Journal and Vice President of the Colorectal Surgical Society of Australia and New Zealand (CSSSANZ). He is a Patron of Canterbury Ostomy Society, Chair of the Christchurch Cancer Foundation and the ANZ Prostate Cancer Registry and a member of the Institute of Directors.

He also serves as a Trustee for the Cotter Medical History Museum, the Canterbury Charity Hospital and the Bowel Cancer Registry of ANZ. He is also a director of Geordie Hill Station and Christchurch Colorectal.

Dr Kate Baddock
Appointed 1 April 2016

Kate is a Fellow of the Royal New Zealand College of General Practitioners, Chair of the Regional Rural Alliance in the Waitematā and Auckland districts, and a member of both the Institute of Directors and the Auckland Medicolegal Society.

She gained her medical degree at the University of Otago and currently works fulltime as a General Practitioner and partner at Kawau Bay Health in Warkworth. She also has an MS in the Science of Healthcare Delivery and is looking at a career change in the health reforms.

She teaches undergraduate medical students, postgraduate doctors, and registrars in General Practice training programmes. She also mentors rural medical students through their training.

Suzanne Wolton
Appointed 29 April 2020

Suzanne is a professional director, senior leader, speaker, chartered accountant, qualified hypnotherapist and financial services expert. She has more than 25 years' experience as a board member and senior executive in some of New Zealand's and the UK's leading organisations.

Steve Merchant
Appointed 26 August 2020

Steve is a veterinarian and a Director of the New Zealand SPCA.

He was a long-serving board member of the New Zealand Veterinary Association (NZVA), including as Chair/President from 2013 to 2015, and was recognised with an NZVA Outstanding Service Award.

Previously, Steve was a co-founder and CEO of Pet Doctors Group, New Zealand's largest group of companion animal veterinary clinics. He led the business through to the Group's sale to an ASX-listed company in 2018.

Steve has a strong interest in digital technologies and is currently active in a number of AI-Tech-based businesses in the animal health sector.

Brendan O'Donovan
Appointed 1 July 2021

Brendan has extensive experience in the financial services industry, spending more than a dozen years as Chief Economist at New Zealand banks and chairing investment committees.

Through his service as Chair of The Co-operative Bank and Chair of Co-operative Life, he brings a wealth of governance experience. Brendan has also been a Licensed Independent Trustee, as well as Specialist Advisor to Parliament's Finance and Expenditure Select Committee. He has been involved with MAS in a governance capacity since 2012 as a Licensed Independent Trustee and as Chair of the Investment Committee.

MAS Foundation Trustees

Jennifer Gill ONZM
Chairperson

Appointed as Chairperson 1 April 2020
Appointed to the Board 1 December 2019

Jennifer has had a long and distinguished career in philanthropy in New Zealand, including 10 years as CEO of the Roy McKenzie Foundation, 10 years as CEO of Fulbright New Zealand and 15 years as CEO of Foundation North, New Zealand's largest philanthropic grant-making trust.

Jennifer has had extensive experience as trustee and chair of a number of philanthropic trusts including Philanthropy New Zealand and the J R McKenzie Trust, and she is currently Deputy Chair of the Prince's Trust NZ, and a Trustee of the Vodafone Foundation. In 2017 New Zealand Order of Merit for services to philanthropy and was the inaugural winner of the Philanthropy NZ Perpetual Guardian Lifetime Achievement in Philanthropy Award.

Associate Professor Julia Ioane
Deputy Chairperson

Appointed as Deputy Chairperson 1 August 2022
Appointed to the Board 1 December 2019

O le ala i le pule o le tautua. In order to lead, one must serve.

Julia is a bilingual New Zealand-born-Samoan, raised in South Auckland with a Matai title from the village of Fasitoouta, Samoa. Julia teaches in the Clinical Psychology programme at Massey University and has a private practice as a clinical psychologist working primarily in justice and health with Māori and Pasifika communities. She has board and governance experience in both the public and the not-for-profit sectors.

Professor Boyd Swinburn
Appointed 1 December 2019

Boyd is an internationally recognised public health physician with more than 30 years' experience in health research (obesity prevention, food policy), whole-of-community programmes to improve child nutrition, and food policy advocacy. He is Professor of Population Nutrition and Global Health at the University of Auckland, Co-chair of the high-profile Lancet Commission on Obesity, and Chair of Health Coalition Aotearoa. He has been an advisor on many government committees, WHO consultations and large scientific studies internationally. He has also advised health-focused philanthropic organisations internationally, including Bloomberg Philanthropies, the Wellcome Trust, the UK Health Foundation and Robert-Wood Johnson Foundation.

Dr Carrie Bryers
Ngāpuhi

Appointed 1 December 2019

Carrie has a diverse background in Māori health, and nursing and medicine. She is an advanced trainee in Public Health and recently completed her Master of Public Health (First Class Honours). Her dissertation focused on Māori health inequities.

With a focus on eliminating health inequities and upholding Te Tiriti, Carrie's work includes hauora Māori research, health promotion, education and the wider determinants of health.

Associate Professor Matire Harwood
Ngāpuhi

Appointed 1 February 2022

Matire (MBChB, PhD) is a hauora Māori academic and General Practitioner at Papakura Marae Health in South Auckland. She is Head of Department for General Practice and Primary Healthcare at Auckland University where she teaches and undertakes research. She has held numerous governance and leadership roles, including membership of the Health Research Council, Waitematā DHB and is a current member of the Hauora Māori Advisory Committee to the Minister of Health.

In 2017 Matire was awarded the L'Oréal UNESCO New Zealand For Women in Science Fellowship for research on Indigenous health; in 2019 she received the Health Research Council's Te Tohu Rapuora medal for leadership in research to improve Māori health; and in 2022 she received the Community Service Medal from the NZ College of General Practitioners.

Dr Kate Baddock
Appointed 1 April 2023

Dr Kate Baddock is also on our Board of Directors.
See the previous page for her bio.

Heads of the MAS Foundation

Dr Julie Wharewera-Mika
Ngāti Awa, Ngāi Tuhoe, Te Whānau-a-Apanui

Appointed 29 March 2021

Julie completed a doctorate in Clinical Psychology at the University of Auckland and has extensive experience in the health and wellbeing field as a senior clinical psychologist and kaupapa Māori researcher. Julie joined the MAS Foundation after completing a postdoctoral research fellowship with Brain Research NZ and a career as Director of Manu Ārahi – The Flying Doctors.

Julie has held multiple governance roles, including Bi-cultural Director of the NZ Psychological Society and as a board member of the government-appointed initial Mental Health and Wellbeing Commission. She is passionate about advancing system transformation to enhance Māori and Pasifika wellbeing, including values-based leadership that embodies collaboration and partnerships empowering community-led and whānau-centred approaches.

Mafi Funaki-Tahifote
Appointed 29 March 2021

Mafi has extensive experience in the health field, having worked for the National Heart Foundation of New Zealand for 20 years and holding both dietetic and managerial roles. She has recently completed an MBA from the University of Auckland and brings strong strategic experience. Mrs Funaki-Tahifote also has considerable governance experience, including in: her current ministerial appointment as a board member of Te Hiringa Hauora/the Health Promotion Agency; as a past Chair of the Board for Action Nutrition Aotearoa; as a former Co-Chair of the Pacific Islands Food and Nutrition Action Group; and as a former member of her local school's Board of Trustees. She has also worked with Te Hiringa Hauora previously, in her role as a member of the Pacific Advisory Group.

Financial Report

Consolidated Statement of Comprehensive Income for the year ended 31 March 2023

	Note	2023 $000	2022 $000
Fire and General Insurance Revenue			
Gross Premium Revenue		124,800	102,255
Reinsurance Premiums		(30,387)	(23,862)
Change in Provision for Unearned Premium		(11,220)	(7,072)
Net Premium Revenue		83,193	71,321
Claims		(172,101)	(60,305)
Reinsurance Recoveries		99,220	4,463
Other Recoveries		3,301	2,633
Net Claims	5	(69,580)	(53,209)
Net Revenue from Fire and General Insurance		13,613	18,112
Life Assurance Revenue			
Premium Revenue		50,347	46,692
Reinsurance Premiums		(15,351)	(14,113)
Net Premium Revenue		34,996	32,579
Claims, Surrenders and Maturities		(20,758)	(31,760)
Reinsurance Recoveries		8,439	20,558
Movement in Life Policy Liabilities	11	(805)	(717)
Net Revenue from Life Assurance		21,872	20,660
Lending Revenue	13	77	120
Funds Management Revenue		20,371	21,560
Other Revenue from Contracts with Customers	18	2,574	3,118
Expenses			
Salaries		(37,225)	(32,211)
Interest Expense	25	(400)	(407)
Administration Expenses	19	(28,581)	(30,012)
Loss on Revaluation of Buildings	23	–	(321)
Total Expenses		(66,206)	(62,951)
Net (Loss) / Income from Operations		(7,699)	619
Investment and Sundry (Loss) / Income	20	(2,508)	4,070
Net (Deficit) / Profit		(10,207)	4,689
Other Comprehensive Income and Expense			
Movement on Revaluation of Land		–	925
Movement on Revaluation of Buildings		–	(107)
Other Comprehensive Income and Expense	23	–	818
Total Comprehensive (Loss) / Income		(10,207)	5,507

The accompanying notes form part of and should be read in conjunction with these financial statements.

Consolidated Statement of Changes In Equity for the year ended 31 March 2023

	Note	2023 Share Capital $000	2023 Retained Earnings $000	2023 Asset Revaluation Reserve $000	2023 Total $000
Opening Balance 1 April 2022		110	232,352	3,079	235,541
Current Year Loss		–	(10,207)	–	(10,207)
Other Comprehensive Income and Expense		–	–	–	–
Total Comprehensive Loss		–	(10,207)	–	(10,207)
Closing Balance 31 March 2023	21	110	222,145	3,079	225,334

	Note	2022 Share Capital $000	2022 Retained Earnings $000	2022 Asset Revaluation Reserve $000	2022 Total $000
Opening Balance 1 April 2021		110	227,663	2,261	230,034
Current Year Profit		–	4,689	–	4,689
Other Comprehensive Income and Expense	23	–	–	818	818
Total Comprehensive Income		–	4,689	818	5,507
Closing Balance 31 March 2022	21	110	232,352	3,079	235,541

The accompanying notes form part of and should be read in conjunction with these financial statements.

Consolidated Statement of Financial Position as at 31 March 2023

	Note	2023 $000	2022 $000
Funds Employed			
Equity			
10,000 Voting Shares	21	110	110
Retained Earnings		222,145	232,352
Asset Revaluation Reserve		3,079	3,079
Total Equity		225,334	235,541
Liabilities			
Trade and Other Payables and Provisions	15	23,240	25,685
Other Insurance Liabilities	16	7,117	3,321
Fees in Advance		256	250
Employee Benefits Provision	14	4,648	4,494
Provision for Unearned Premium	6	65,114	53,893
Provision for Outstanding Claims	5, 12	188,116	105,833
Life Policy Liabilities	11	(1,142)	(1,947)
Lease Liabilities	25	9,760	9,413
Total Liabilities		297,109	200,942
Total Funds Employed		522,443	436,483
Assets			
Cash and Cash Equivalents		3,338	3,173
Trade and Other Receivables	22	2,244	2,075
Investments	27	316,681	318,168
Prepayments		1,179	979
Premiums Outstanding	7	45,080	38,948
Reinsurance Recoveries Outstanding	8	132,217	48,887
Claims Recoveries Outstanding	9	1,328	2,881
Loans	13	426	553
Intangibles	24	2,003	3,027
Right-of-use Assets	25	8,616	8,406
Property, Plant and Equipment	23	8,061	8,241
Deferred Acquisition Costs	26	1,270	1,145
Total Assets		522,443	436,483

Approved for issue for and on behalf of the Board of Medical Assurance Society New Zealand Limited on 28 June 2023.

Director **Director**

The accompanying notes form part of and should be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows for the year ended 31 March 2023

	Note	2023 $000	2022 $000
Cash Flows from Operating Activities			
Receipts from Policyholders		169,228	145,646
Interest Revenue Received on Loans		55	66
Loan Repayments		148	915
Other Revenue and Funds Management Revenue		23,034	26,680
Rent Received		8	8
Payments to Suppliers and Employees		(107,276)	(96,449)
Reinsurance and Other Recoveries Received		29,183	16,353
Payment of Claims		(110,576)	(83,073)
Income Tax Refunded		–	1,549
Interest Paid on Funding		(400)	(407)
Interest Received		5,646	3,656
Dividend Received		3,014	2,953
Net Cash Flows From Operating Activities	30	12,064	17,897
Cash Flows for Investing Activities			
Contributions to Investment Funds		(100,755)	(91,145)
Withdrawals from Investment Funds		90,800	74,910
Proceeds from Sale of Property, Plant and Equipment		–	9
Purchase of Property, Plant and Equipment, and Intangibles		(845)	(623)
Net Cash Flows for Investing Activities		(10,800)	(16,849)
Cash Flows for Financing Activities			
Payment of Principal Portion of Lease Liability		(1,099)	(1,102)
Net Cash Flows for Financing Activities		(1,099)	(1,102)
Net Movement in Cash Held		165	(54)
Opening Cash Balance Brought Forward		3,173	3,227
Cash and Cash Equivalents Carried Forward		3,338	3,173
Cash and Cash Equivalents Comprise			
Cash and Deposits		3,338	3,173
		3,338	3,173

The accompanying notes form part of and should be read in conjunction with these financial statements.

Notes to and Forming Part of the Financial Statements for the year ended 31 March 2023

1. Corporate Information

REGISTERED OFFICE

10 Waterloo Quay
Pipitea
Wellington

Medical Assurance Society New Zealand Limited ("the Company", "the Parent" or "MAS") operates on mutual principles within New Zealand, and the control is vested in its Members. The subsidiaries engage in the provision of financial services to Members of MAS and work to make a difference to the health of people in New Zealand, particularly those communities traditionally underserved by our health system.

These financial statements are the consolidated financial statements of the Parent and its subsidiaries as detailed in Note 4. The Parent together with its subsidiaries are referred to as the Group in this financial report.

The Parent is incorporated and domiciled in New Zealand. The head office is situated in Wellington and there are branch sites throughout New Zealand.

2. Accounting Policies

(a) Statement of Compliance and Basis of Preparation

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared in accordance with the Companies Act 1993 and the Charities Act 2005.

The Parent registered as a charity under the Charities Act 2005 on 1 December 2019. The registration number is CC57178. The Group is registered as the "MAS Charitable Group" and all subsidiaries are members of the Charitable Group. The Parent and its subsidiaries remain profit-oriented entities for financial reporting purposes.

The financial statements have been prepared on a historical cost basis, except for certain assets and liabilities as outlined in the accounting policies.

(b) Presentation Currency

The presentation currency is New Zealand dollars ($). The financial statements are presented in New Zealand dollars and rounded to the nearest thousand dollars unless stated otherwise.

(c) Basis of Consolidation

The Group financial statements incorporate the financial statements of Medical Assurance Society New Zealand Limited and its subsidiaries. Control is achieved when the Parent is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, or when the Parent has the ability to appoint and remove Directors or Trustees of the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. All intercompany transactions, balances and unrealised profits are eliminated on consolidation.

(d) General Insurance: Gross Premium Revenue and Provision for Unearned Premium

Gross Premium Revenue comprises amounts charged to policyholders for insurance policies. It is expressed net of levies and charges which are collected on behalf of Fire and Emergency New Zealand and the Earthquake Commission ("EQC"), and net of Goods and Services Tax ("GST").

Premium revenue is recognised in the Statement of Comprehensive Income when it has been earned. That is, from the date of attachment of the risk, over the period of the policy (which is generally one year). Given the absence of any significant seasonal factors, exposure to risk is assumed to be even over the policy period and premium is recognised accordingly.

Unearned premiums are those proportions of premium written in a year that relate to periods of risk after the balance date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is recognised in the Statement of Financial Position as a Provision for Unearned Premium.

(e) General Insurance and Life Insurance: Reinsurance Premiums and Reinsurance Recoveries

Premiums ceded to reinsurers under reinsurance contracts are recorded as an expense and are recognised over the period of indemnity of the contract. Ceded reinsurance does not relieve the Group from its obligations to policyholders.

During the normal course of the Group's activities claims are paid which will result in a contractual right to seek recovery from its reinsurers. At any point in time there will be amounts owing by these counterparties which will be represented by assets on the Statement of Financial Position. Fair value is equal to the carrying value of the reinsurance assets.

2. Accounting Policies – Continued

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. The Group does not consider any of its reinsurance recoveries to be impaired.

(f) General Insurance: Claims and Provision for Outstanding Claims

Claims expense represents payments for claims and the movement in the Provision for Outstanding Claims. Claims represent the benefits paid or payable to the policyholder on the occurrence of an event giving rise to loss or accident according to the terms of the policy. Claims expenses are recognised in the Statement of Comprehensive Income as incurred, which is usually the point in time when the event giving rise to the claim occurs.

The liability for any outstanding claims is carried in the Statement of Financial Position as the Provision for Outstanding Claims. It is measured as the central estimate of the present value of the expected future payments against all claims incurred at reporting date. A risk margin is also included over and above the central estimate, to allow for the inherent uncertainty in the central estimate of the outstanding claims liability. The details of risk margins and the process for their determination are set out in Note 5. The expected future payments include those in relation to claims reported but not yet paid, incurred but not reported ("IBNR") and the direct costs of settling those claims.

(g) General Insurance: Provision for Unearned Premium / Liability Adequacy Test

At each reporting date a Liability Adequacy Test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in profit and loss.

The proportion of premiums not earned at reporting date is recognised in the Statement of Financial Position as Provision for Unearned Premium.

The Provision for Unearned Premium is calculated separately for each group of contracts which are subject to broadly similar risks and managed together as a single portfolio. Any unexpired risk liability is recognised immediately.

The expected value of claims is calculated as the present value of the expected cash flows relating to future claims and includes a risk margin to reflect the inherent uncertainty in the central estimate.

(h) Life Insurance: Premium Revenue

There are no specific deposit components in the premiums payable and hence the entire premium amount is treated as revenue. Premium revenue is recognised in the Statement of Comprehensive Income when it has been earned. That is, from the date of attachment of the risk, over the period of the policy (which is generally one year).

(i) Life Insurance: Payments under Policies and Claims Outstanding

Claims

Claims are recognised as an expense as soon as the liability to a policyholder under an insurance risk contract has been established.

Surrenders

Surrenders occur where a policyholder with a participating policy elects to withdraw from any future contractual position. The policy gets cancelled, and a surrender value is paid to the policyholder and recognised as an expense. Policy Liabilities are reduced accordingly.

Maturities

Where a participating policy reaches its maturity date, the value of that policy is paid out and recognised as an expense. Policy Liabilities are reduced accordingly. The liability for any outstanding claims is carried in the Statement of Financial Position. This liability relates solely to claims made under a risk policy where liability has been accepted, but payments remain outstanding at balance date.

(j) Loan Interest Revenue and Interest Expense

Loan Interest Revenue and Interest Expense are recognised in the Statement of Comprehensive Income as they accrue, using the effective interest method. The Interest Expense relates to interest on lease liabilities set out in Note 25.

2. Accounting Policies – Continued

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs, over the expected life of the financial asset or liability. The application of the method has the effect of recognising income and expense on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

(k) Impairment Provisions

Expected Credit Losses on Loans

Losses for impaired loans are recognised immediately when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and loans assessed collectively.

Expected credit losses ("ECL") represent the present value of all cash shortfalls related to default events expected over the next 12 months or over the life of the loan where there has been a significant increase in credit risk since initial recognition. All reasonable and supportable information is considered at each reporting date. Forward looking information is considered when it is available without undue cost and effort.

Individually Assessed Loans

At each balance date, the entity assesses on a case by case basis whether there is any objective evidence that a loan is impaired. This assessment considers factors such as amount of debt, repayment and dishonour history, and the time since loan origination.

Where an increase in credit risk has been significant, a loss allowance at an amount equal to lifetime ECL is recognised. If no significant increase in credit risk is recognised, a loss allowance equal to a 12 month ECL continues to be recognised.

Collectively Assessed Loans

Impairment is assessed on a collective basis in two circumstances:

- to cover for losses which have been incurred but have not yet been identified on loans subject to individual assessments; and
- for groups of loans that are not considered individually significant, these are placed in pools of similar assets with similar risk characteristics.

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an ECL over the next 12 months.

Provision for Credit Impairment

The Provision for Credit Impairment (specific and collective) is deducted from loans in the Statement of Financial Position and the movement in the provision for the reporting period is reflected in the Statement of Comprehensive Income as part of Lending Revenue.

Where impairment losses recognised in previous periods are subsequently decreased or no longer exist, such impairments are reversed in the Statement of Comprehensive Income.

Loan Write-offs

When a loan is uncollectible, it is written off against the Provision for Credit Impairment. Subsequent recoveries of amounts previously written off are taken to the Statement of Comprehensive Income.

Claims Recoveries Outstanding

Where third parties are responsible for occurrences which lead to fire and general insurance claims being made there is often a contractual right to recovery from that party. The details of the impairment assessment are set out in Note 9.

Impairment of Right-of-use Assets, Property, Plant and Equipment, and Intangibles

The Group conducts an annual review of asset values to determine whether there are any indicators of impairment. This review considers economic, technological and business changes that may impact on an asset's value. If any indicators of impairment exist, the asset's value is written down to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, or its value in use.

(l) Revenue from Funds Management

Revenue from Funds Management primarily represents fees for the management of the MAS KiwiSaver Scheme and MAS Retirement Savings Scheme ("the Schemes").

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for transferring services to the Schemes. Revenue is calculated and accrued for management services provided to the Schemes, based on the daily funds under management balance.

(m) Income and Other Taxes

Income Tax

The Company became a registered charity on 1 December 2019. As such, its activities from that date are no longer subject to income tax. The Group has an Imputation Credit Account balance of $39,442,000 (2022: $40,999,000).

2. Accounting Policies – Continued

Other Taxes

Revenue, expenses and assets are recognised net of GST except when the GST incurred on a purchase of goods and services is not recoverable from Inland Revenue, 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.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of Trade and Other Receivables or Trade and Other Payables in the Statement of Financial Position. Any commitments or contingencies are disclosed net of the amount of GST recoverable from, or payable to, Inland Revenue.

(n) Cash and Cash Equivalents

Cash and cash equivalents include liquid assets and amounts due from other financial institutions, with an original term to maturity of less than three months. Interest is earned at floating rates based on daily deposit rates. The carrying amount approximates fair value.

The Parent company's bank overdraft facility of $1.0 million is secured by a first mortgage over its commercial property at Broderick Road, Johnsonville.

(o) Policy Acquisition Costs

(i) General Insurance

Policy acquisition costs comprise the costs of acquiring new business, including sales costs, underwriting costs and policy issue costs. These costs are deferred when they can be reliably measured and it is probable that they will give rise to premium revenue that will be recognised in subsequent reporting periods. Costs are amortised systematically in accordance with the expected pattern of the incidence of risk to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

An impairment review is performed at each reporting date as part of the Liability Adequacy Test. When the recoverable amount is less than the carrying value an impairment loss is recognised in profit or loss.

(ii) Life Insurance

The actuary's assessment of life insurance contract liabilities takes account of the deferral and future recovery of acquisition costs. These costs are capitalised by way of movement in Life Policy Liabilities, then amortised over the period in which they will be recoverable.

(p) Financial Instruments - Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial assets and liabilities are recognised initially at fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs.

i) Financial Assets

Financial assets are classified as subsequently measured at amortised cost or fair value through profit or loss.

The Group measures financial assets at amortised cost if:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group uses a provision matrix to calculate the ECL for Trade and Other Receivables. The ECL on Loans comprises the specific provision and collective provision.

Investments

Investments are classified as financial assets at fair value through profit or loss and any movements in fair value, interest and dividend income, and fund distributions are recognised in profit or loss as Investment Income or Loss. The valuation techniques used are detailed in Note 28.

The Group's policy is to manage investments to give the best possible yield whilst taking a prudent approach to risk. Investment funds are split by asset class in Note 27.

Funds are invested in both unitised or pooled vehicles and direct holdings. Investment fund values for unitised or pooled vehicles are supplied by the relevant fund manager. Investments held directly by the Group are valued at fair value each reporting date based on the current bid price where one is available. In the absence of a bid price, valuation is based on recent arm's length transactions. Directly held investment funds are managed by JBWere (NZ) Limited and Bancorp Treasury Services Limited.

2. Accounting Policies – Continued

Trade and Other Receivables

Classified as a financial asset measured at amortised cost. The details of the impairment assessment and total ECL are set out in Note 22.

Loans

Classified as a financial asset measured at amortised cost. The details of the impairment assessment and total ECL are set out in Note 2(k).

ii) Financial Liabilities

Financial liabilities are classified as subsequently measured at amortised cost or financial liabilities at fair value through profit or loss. All financial liabilities held by the Group are measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Trade and Other Payables

Classified as a financial liability measured at amortised cost. Payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. They represent liabilities for goods and services provided to the Group prior to the end of the financial year but which are unpaid at reporting date.

(q) Assets Backing Insurance Liabilities

All investment assets of Medical Life Assurance Society Limited, the Group's life insurance company, are assets backing the policy liabilities of the life insurance business.

All investment assets of Medical Insurance Society Limited, the Group's general insurance company, are assets backing the insurance liabilities of the general insurance business.

All investment assets backing insurance liabilities are measured at fair value through profit or loss.

(r) Property, Plant and Equipment, and Depreciation

Land and Buildings are revalued at appropriate intervals to fair value, which is determined by reference to the asset's highest and best use by an independent valuer. Revaluations are made with sufficient regularity to ensure that carrying value does not materially differ from fair value. Revaluation surpluses are recognised in Other Comprehensive Income to the extent they offset previous devaluations recognised in net surplus. Except as above, revaluation surpluses are taken directly to the Asset Revaluation Reserve. Decreases in value are debited directly to the Asset Revaluation Reserve to the extent that they reverse previous surpluses within the individual asset concerned and are otherwise recognised as expenses.

All other fixed assets are held at cost and are depreciated on a straight line basis over their estimated economic lives as follows:

- Buildings 50 years
- Furniture, Fittings and Equipment 3–10 years

(s) Intangibles

Intangible assets represent software and are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangibles are amortised over their estimated useful life as follows:

- General use software 5 years
- Core systems 3–10 years

(t) Lease Liabilities and Right-of-use Assets

At the commencement date of a lease, the Group recognises a lease liability and right-of-use asset. The lease liability is measured at the present value of the lease payments that are not paid at that date, discounted by the Group's incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the liability, reducing the carrying amount to reflect lease payments made and adjusting for any lease modifications or changes in lease payments.

The Group has elected to apply the recognition exemptions for short-term leases and low value assets. Short-term leases are leases with terms of 12 months or less.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability, any lease payments made before the commencement date and any initial direct costs incurred. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any adjustments to the lease liability. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Motor Vehicles 1–3 years
- Printers 3 years
- Buildings 2–15 years

2. Accounting Policies – Continued

(u) Changes in Accounting Policies and Disclosures

Several amendments and interpretations apply for the first time in the period ended 31 March 2023, but do not have an impact on the financial statements of the Group. There have been no changes to accounting disclosures or policies during the current period.

NZ IFRS 17 Insurance Contracts ("IFRS 17") has been issued but is not yet effective for the period ended 31 March 2023, and has not been applied in preparing these financial statements. IFRS 17 is a comprehensive new accounting standard which replaces NZ IFRS 4 Insurance Contracts ("IFRS 4") and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard is effective for reporting periods beginning after 1 January 2023. The first applicable reporting period for the Group is the year ending 31 March 2024.

Measurement

The standard introduces new measurement models for the recognition and measurement of insurance, and reinsurance contracts. Three measurement models are available under IFRS 17. The default model is the general model. Liabilities for insurance contracts measured using the general model are measured as the total of:

- fulfilment cash flows, which represent the current estimate of future cashflows, with a risk adjustment for non-financial risk and;
- a contractual service margin (CSM) that releases unearned profit that is established at the start of a contract.

The other measurement models are the variable fee approach (VFA) which is applied to contracts with direct participation features, and the premium allocation approach (PAA), which can be used when certain criteria are met.

The Group has determined that it will apply all three models to insurance contracts across its various general insurance and life and disability insurance contracts. For reinsurance contracts, the general model and PAA will be applied.

The Group anticipates being eligible to apply the PAA to its life reinsurance contracts as it provides a measurement that is not materially different to that under the general model.

When applying PAA, IFRS 17 allows for the immediate expensing of insurance acquisition cashflows. The Group has elected to expense acquisition costs when incurred.

Level of Aggregation

IFRS 17 requires insurance contracts to be split into portfolios of contracts that have similar risks and are managed together. Portfolios are then divided into three groups based on whether there is 1) no significant possibility of becoming onerous, 2) onerous contracts at initial recognition and 3) remaining contracts. Contracts issued more than one year apart cannot be included in the same group. The Group is working through the subdivision and expects to have contracts in each of the three groups in its life insurance company. All general insurance contracts are expected to be classified into the third group.

Onerous Contracts

Onerous contract testing is performed at a more granular level than the Group's current assessment under IFRS 4. Contracts that are measured using the PAA are assumed not to be onerous unless facts and circumstances indicate otherwise. This granularity is expected to lead to certain groups being loss-making and a loss component of the liability for remaining coverage will be established for onerous groups.

Discount Rates

The Group has elected to derive the discount rate by using the bottom-up approach. This rate is determined by reference to risk-free rates with an illiquidity premium adjustment. When applying PAA, the Group is not required to discount to present value its liability for incurred claims, unless the claim settlement duration is expected to exceed twelve months. The CSM is calculated using the discount rate determined at initial recognition (i.e. a "locked-in" rate). Fulfilment cash flows will be measured using the current discount rate as at the measurement date.

Risk Adjustment

For insurance contracts, a risk adjustment is applied that reflects the compensation that the Group requires for bearing the uncertainty relating to the amount and timing of future cash flows. The Group expects to take a cost of capital approach to determine a risk adjustment. For reinsurance contracts held, the risk adjustment will represent the amount of risk being transferred by the Group to the reinsurer. Additionally, under IFRS 17, the Group is also required to account for the changes in fulfilment cash flows that result from changes in the risk of non-performance of reinsurers.

2. Accounting Policies – Continued

Presentation and Disclosure

A number of presentation and disclosure changes are required. These include:

- On the Statement of Comprehensive Income (SoCI) - an Insurance Service Result will be reported which comprises Insurance Revenue less Insurance Service Expenses. Such items as Premium Revenue and Claims will no longer be reported separately on the SoCI. The impacts of reinsurance contracts will be reported separately.
- On the Statement of Financial Position - Insurance Contract Liabilities will be presented as a single amount. This replaces the currently disclosed amounts of Life Policy Liabilities, Provision for Unearned Premium, Provision for Outstanding Claims and aspects of Other Insurance Liabilities. A similar approach is also taken to Reinsurance.

More detailed note disclosures will be required to outline the movement in insurance contract and reinsurance contracts than required under IFRS 4. IFRS 17 has no impact on the total level of profit of an insurance contract over its life but does lead to timing differences in when profit is recognised.

Transition

The Group will adopt IFRS 17 for the year ending 31 March 2024. The opening equity position as at 1 April 2022 and the 31 March 2023 (prior year) results will be remeasured under IFRS 17. Work is continuing to quantify the financial impact. As all decisions are not yet finalised, it is not possible to accurately determine the impact.

The default method of transition is the full retrospective approach (FRA). Where it is impracticable to transition under this approach, an entity can apply either the modified retrospective approach or the fair value approach. Management are currently assessing the Group's eligibility to apply the full retrospective approach to those contracts that are measured under PAA. For contracts measured under the general model and under the VFA, the Group anticipates a fair value approach will be applied, as the Group expects that it will be impracticable to transition using the FRA.

(v) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency with the current year.

3. Significant Accounting Judgements, Estimates and Assumptions

These financial statements are prepared in accordance with New Zealand equivalents of the International Financial Reporting Standards ("NZ IFRS") and other authoritative accounting pronouncements. In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors. All judgements, estimates and assumptions are based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions.

Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below. Further details are also provided within the relevant note disclosure.

Outstanding Claims Liability

The outstanding claims liability is measured as the central estimate of the present value of expected future claims payments (including claims incurred and not reported) plus a risk margin. The estimated cost of claims includes expenses to be incurred in settling those claims, net of the expected value of salvage and other recoveries. Medical Insurance Society Limited ("MIS") takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is almost certain that the final outcome will prove to be different from the original liability established.

There is significant uncertainty to the net claims arising from the January to February 2023 North Island floods, Cyclone Gabrielle and Canterbury earthquakes and significant judgement is required in regards to elements such as; increases in building claim costs, litigation, reopening of claims, apportionment between earthquake events, claim handling expenses and future additional claims being received from EQC. Due to these uncertainties a higher risk margin is carried for these flood, cyclone and earthquake claims.

All claims reported are estimated with due regard to the claim circumstance as reported by the insured, legal representative, assessor, loss adjuster and/or other third party, and then combined, where appropriate, with historical evidence on the cost of settling similar claims. Estimates are reviewed regularly and are updated as and when new information arises. The ultimate net outstanding claims provision also includes an additional (risk) margin to allow for the uncertainty within the estimation process.

Reinsurance and Other Recoveries Assets

As is the case for claims, reinsurance and other recoveries must be estimated at reporting date. The recoverability of these assets is assessed on a periodic basis to ensure that as best can be determined, the balance is reflective of the amounts which will ultimately be received, taking into consideration factors such as counterparty credit risk.

Policy Liabilities

Policy liabilities for life insurance contracts are calculated using statistical or mathematical methods. They are made by a suitably qualified person, and are based on recognised actuarial methods, with due regard to relevant actuarial standards.

The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written. The key factors that affect the estimation of these liabilities and related assets are:

- the cost of providing benefits and administering these insurance contracts;
- mortality and morbidity experience on life insurance products, including enhancements to policyholder benefits;
- discontinuance experience; and
- the amounts credited to policyholders' accounts compared to the returns on invested assets through asset and liability management and tactical asset allocation.

In addition, factors such as competition, interest rates, and market and general economic conditions affect the level of these liabilities. Details of specific actuarial policies and methods adopted are contained in Note 10.

Software Intangibles

Assessing the useful life and any impairment of core software systems involves judgement and estimation. The application of NZ IAS 38 Intangible Assets includes accounting considerations required for capitalisation of IT projects. Areas of judgement include consideration of impairment indicators, economic useful life, future IT investment plans, previous impairment decision and software as a service ("SaaS") arrangements.

Leases

Key estimates and assumptions used in calculating lease liabilities and right-of-use assets are the incremental borrowing rates and the lease terms. The Group considers economic and credit risk factors, and the underlying right-of-use asset when determining the incremental borrowing rates. Lease terms are determined using the non-cancellable period of the lease and the lease renewals, when the Group is reasonably certain the renewal option will be exercised.

Remediation

The Group is committed to remediating Members. A remediation programme has been established and a dedicated team is addressing all issues. The provision carried represents management's best estimate to resolve all remaining issues and requires judgements to be made as to the quantum of refunds and associated costs of the programme. The provision includes an allowance for premium refunds, inconvenience payments relating to the refunds and the costs of administering the remediation programme including legal costs and associated matters. Refer to Note 15.

4. Related Party Transactions

Medical Assurance Society New Zealand Limited ("MAS") is the holding company of the following wholly owned subsidiary companies:

- Medical Insurance Society Limited ("MIS")
- Medical Life Assurance Society Limited ("MLA")
- Medical Securities Limited ("MSL")
- Medical Funds Management Limited ("MFM").

MAS controls the following entity:

- MAS Foundation ("the Foundation").

The Foundation was registered as a charity under the Charities Act 2005 on 1 December 2019. One non-voting distribution share in the capital of MAS has been issued to the Foundation. The Foundation is controlled by MAS as the Directors of MAS are able to appoint and remove the Trustees of the Foundation.

The MAS KiwiSaver Scheme and MAS Retirement Savings Scheme are registered superannuation schemes issued by MFM. MFM is the manager and provides management services to the Schemes. MFM is the manager of the MAS Wholesale Investment Funds, which provide unitised funds for wholesale investors. The Group invests in the MAS Wholesale Investment Funds (detailed in Note 27).

Advances to and from subsidiary companies are unsecured and repayable on demand. Interest on advances is charged at the 90 day bank bill rate plus 1.00%. As at 31 March 2023, interest was charged at 6.23% for all subsidiaries (2022: 2.61%).

All inter-Group transactions are eliminated on consolidation. All transactions with Members, Directors and employees are at market rates.

5. Claims – Medical Insurance Society Limited

Claims Expense	2023 $000	2022 $000
Claims paid during the year	82,750	63,837
Recoveries received during the year	(15,871)	(3,792)
Provision for Outstanding Claims at year end (new claims incurred during the year)	101,925	26,273
Provisioning at year end for Outstanding Claims incurred in prior years	13,313	20,543
Reinsurance and Other Recoveries Outstanding at year end	(103,330)	(16,680)
Change in IBNR (claims incurred but not reported) Provision at year end	336	1,011
Provision for Outstanding Claims at previous year end (excluding IBNR)	(45,016)	(50,260)
Reinsurance and Other Recoveries Outstanding at previous year end	16,680	14,078
Change in Risk Margin	18,792	(1,800)
Net Claims Expense per Statement of Comprehensive Income	69,580	53,209

Provision for Outstanding Claims	2023 $000	2022 $000
Expected Future Claim Payments (undiscounted)	106,233	36,010
IBNR Claims at Year End	3,239	2,902
Risk Margin	27,798	9,005
Provision for Outstanding Claims	137,269	47,918

Assumptions adopted in calculation of claim provisions

A significant portion of the general insurance claims provision relates to flood, cyclone and earthquake claims. The claims estimate is subject to a degree of uncertainty as a number of issues are yet to be resolved. The following key assumptions have been used in determining general insurance net outstanding claims liabilities:

	2023	2022
Risk Margin – flood and cyclone claims	25.00%	n/a
Risk Margin – earthquake claims	49.00%	40.50%
Risk Margin – other claims	13.00%	15.40%
Weighted Average Expected Term to Settlement	within 1 year	within 1 year

5. Claims – Medical Insurance Society Limited – Continued

Risk Margin

The initial amount calculated is the central estimate (the mean of the distribution of the probable outcomes). That is, it is intended to contain no deliberate, or conscious over or under estimation. Over and above the central estimate, and to reflect the inherent uncertainty in determining it, a risk margin is added in arriving at the carrying amount of the liability. This increases the probability that the liability will ultimately prove to be sufficient. The potential uncertainties include those relating to the actuarial model and assumptions, the quality of the underlying data used, general statistical uncertainty and the insurance environment.

The risk margin is applied to the net outstanding claims for MIS as a whole. However an assessment of the uncertainty and the determination of a risk margin is done by individual class of business (Motor Vehicle, House, Contents etc.). The entity risk margin is assessed to be less than the sum of the individual classes, reflecting the benefit of diversification in general insurance. The percentage risk margin applied is 25.00% (2022: not applicable) for flood and cyclone claims, 49.00% (2022: 40.50%) for earthquake claims and 13.00% (2022: 15.40%) for other claims. MIS has recognised a risk margin of $18.8 million for the flood and cyclone catastrophe events that occurred in the 2023 financial year (2022: not applicable). The level of sufficiency or probability of adequacy is 75.00% (2022: no change).

Claims Development Table

The following table shows the development of net undiscounted outstanding claims relative to the current estimate of ultimate claims costs for the ten most recent years. The majority of the claims that pre-date 2014 are Canterbury earthquake claims.

	Incident Year											
Ultimate Claim Cost Estimate	Prior $000	2014 $000	2015 $000	2016 $000	2017 $000	2018 $000	2019 $000	2020 $000	2021 $000	2022 $000	2023 $000	Total $000
At end of incident year		30,985	28,650	33,118	48,602	40,393	39,127	43,289	51,296	55,294	148,683	
One year later		31,173	29,052	34,324	52,449	39,424	40,389	44,417	56,941	56,584	–	
Two years later		31,174	29,201	34,514	53,473	39,870	40,552	44,633	58,738	–	–	
Three years later		31,447	29,131	34,426	53,915	40,006	40,646	44,681	–	–	–	
Four years later		31,493	29,151	34,518	53,874	40,129	40,661	–	–	–	–	
Five years later		31,511	29,174	34,543	53,893	40,140	–	–	–	–	–	
Six years later		31,522	29,162	34,578	54,074	–	–	–	–	–	–	
Seven years later		31,541	29,095	34,578	–	–	–	–	–	–	–	
Eight years later		31,541	29,115	–	–	–	–	–	–	–	–	
Nine years later		31,548	–	–	–	–	–	–	–	–	–	
Current estimated claim cost		31,548	29,115	34,578	54,074	40,140	40,661	44,681	58,738	56,584	148,683	
Payments		(31,548)	(29,095)	(34,575)	(54,068)	(40,108)	(40,644)	(44,606)	(58,098)	(55,098)	(52,525)	
Central Estimate	11,035	–	20	3	6	31	16	75	639	1,487	96,158	109,471
Risk Margin												27,798
Gross Outstanding Claims Liabilities												137,269
Recoveries from Reinsurers and Third Parties												(103,330)
Net Outstanding Claims Liabilities												33,939

6. Provision For Unearned Premium – Medical Insurance Society Limited

The following table is a reconciliation of Unearned Premium:

	2023 $000	2022 $000
Balance at the beginning of the financial year	53,893	46,822
Premiums written during the year	124,800	102,255
Premiums earned during the year	(113,579)	(95,184)
Balance at the end of the financial year	65,114	53,893

Liability Adequacy Test

The Appointed Actuary, Peter Davies, FIA, a Fellow of the New Zealand Society of Actuaries ("NZSA"), has reported on the Liability Adequacy Test undertaken by him as at 31 March 2023. He has concluded that the Provision for Unearned Premium as at that date, is not deficient (2022: no deficiency). In forming this opinion he has assessed the current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under all current contracts. Included within the claims figure is a risk margin to reflect the inherent uncertainty in the central estimate.

The process used to determine the risk margin, including the allowance for diversification of risks, is the same as that for outstanding claims (refer to Note 5). His conclusion is that the provision exceeds the prospective claims value. He is satisfied with the nature, extent, and accuracy of the data used for this valuation. The financial statements have not been adjusted to recognise the surplus. There has been no write-down of deferred acquisition costs under the Liability Adequacy Test (2022: no write-down).

	2023 $000	2022 $000
Central estimate of present value of future cashflows from future claims	58,226	46,783
Risk Margin	5,408	4,140
	63,634	50,923

The central estimate of present value of future cashflows from future claims includes reinsurance costs.

	2023 $000	2022 $000
Risk Margin	15.70%	15.20%
Probability of Sufficiency	75.00%	75.00%

7. Premiums Outstanding

	2023 $000	2022 $000
Premiums Owing by Policyholders of MIS Policies	29,763	24,496
Premiums Owing by Policyholders of MLA Policies	15,317	14,452
	45,080	38,948

A significant number of policyholders elect to pay premiums in instalments spread evenly over the term of the cover. Accordingly, at any one time, including balance date, there will be large outstandings relative to premium which have been billed but not collected. All premiums outstanding are due within twelve months of balance date.

Where any instalments are overdue (direct debits dishonoured) or alternatively where annual payments are overdue, the related debts are assessed for impairment and where it is evident adjusted immediately. The carrying amounts reasonably approximate fair value.

8. Reinsurance Recoveries Outstanding

	2023 $000	2022 $000
Gross Recoveries – MIS	102,002	13,799
Gross Recoveries – MLA	37,921	41,152
Discount to Present Value	(7,706)	(6,064)
Reinsurance Recoveries Outstanding	132,217	48,887

At any time, balance date included, the settlement of claims will have led to a receivable being created related to the amount recoverable from the Group's reinsurers. Such amounts due are assessed for impairment and where it is evident, adjusted immediately. The carrying amounts reasonably approximate fair value.

Medical Insurance Society Limited

MIS' insurance operations are protected from the impact of large losses and catastrophic events, by way of a comprehensive reinsurance programme arranged with some of the world's strongest reinsurance companies and syndicates.

The programme is developed once external professional advice, involving comprehensive modelling, is obtained to establish potential exposures to earthquake claims and to assess how much any claim or series of claims MIS can retain for its own account.

MIS' catastrophe cover exceeds the Reserve Bank of New Zealand's solvency requirements for reinsurance cover.

Medical Life Assurance Society Limited

Set out below is the movement in the Gross Recoveries – MLA outstanding asset. All recoveries associated with Life claims are due within twelve months of balance date. $5.7 million of recoveries associated with Disability claims are due within twelve months of balance date (2022: $6.1 million).

	2023 $000	2022 $000
As at 1 April	41,152	28,433
Movement in recoveries associated with Life claims	(2,445)	1,681
Movement in recoveries associated with Disability claims	(786)	11,038
As at 31 March	37,921	41,152

9. Claims Recoveries Outstanding – Medical Insurance Society Limited

	2023 $000	2022 $000
Gross Claims Recoveries Owing by Third Parties	4,723	5,988
Provision for Impairment	(3,395)	(3,107)
Net Claim Recoveries Outstanding	1,328	2,881

	2023 $000	2022 $000
As at 1 April	(3,107)	(3,290)
Movement in Provision for Impairment	(288)	183
As at 31 March	(3,395)	(3,107)

9. Claims Recoveries Outstanding – Medical Insurance Society Limited – Continued

Where a third party is at fault or responsible for a claim made, MIS may have a contractual right to recover from the third party, their insurer or EQC.

MIS recognises provision for impairment on claim recoveries owed by third parties. The provision for impairment is measured based on the lifetime expected credit losses, as significant increases in credit risk occur after initial recognition as the older a claim, the lower the likelihood of claim recovery from third parties. Credit losses are assessed on a collective basis, considering all reasonable and supportable information at each reporting date. Forward looking information is considered when it is available without undue cost and effort.

Based on historical credit loss experience and recognising current economic conditions, losses are recognised as follows:

- amounts owing by other insurers: 55% impairment (2022: no change)
- accounts placed with a collection agency: 90% impairment (2022: no change)
- amounts for which a regular payment arrangement is agreed with the debtor: 55% impairment (2022: no change)
- amounts referred to the Disputes Tribunal: 100% impairment (2022: no change).

Claims recoveries are non-interest bearing. Amounts that reduce the liability to the insured such as excesses, are not claims recoveries and are offset against claims expense.

10. Actuarial Policies and Methods – Medical Life Assurance Society Limited

The effective date of the actuarial report on the policy liabilities and prudential reserves is 31 March 2023. The actuarial report was prepared by Peter Davies, FIA, a Fellow of the New Zealand Society of Actuaries. The actuary is satisfied as to the accuracy of the data upon which the calculations of policy liabilities have been made.

The amount of policy liabilities has been determined in accordance with the methods and assumptions disclosed in these financial statements and with the standards established by the New Zealand Society of Actuaries (NZSA).

Disclosure of Assumptions

Policy liabilities have been determined in accordance with Professional Standard No. 20 of the NZSA. The profit carriers used for the major product groups in order to achieve the systematic release of planned margins are:

Major Product Group	Profit Carrier
Risk insurance including: • Term Life • Dread Disease • Total Permanent Disablement	Premiums
Traditional participating business	Bonuses
Income protection business	Premiums

Discount Rates

The discount rate assumed equals the estimated risk-free rate of return on 13-year swap rates as at the valuation date of 4.31% (2022: 3.36%), gross of tax.

Inflation Rates

Inflation impacts on the valuation in broadly two ways. Some contracts provide for the increase of future benefits in line with the Consumer Price Index (CPI), subject to a minimum materiality level. The CPI for lump sum policy increases is assumed to be 2.50% per annum (2022: no change). The assumed indexation for income protection benefits varies between 0.00% and 2.00% depending on the product (2022: 0.00% and 1.40%). The assumed rate of expense inflation is assumed to be 2.00% per annum (2022: no change).

Element Impacted	Assumed Rate
Benefit indexation – Lump sum risk benefits	2.50%
Benefit indexation – Income Protection	0.00% - 2.00%
Expenses	2.00%

The lump sum indexation assumption applies to those products that offer indexation benefits, and those policyholders with that product that have opted for the indexation benefit (2022: no change). The income protection indexation assumption applies to all covers of each respective product type (2022: no change).

Commissions

As the Company does not remunerate by way of commission, no allowance is required (2022: $0).

10. Actuarial Policies and Methods – Medical Life Assurance Society Limited – Continued

Future Expenses

Maintenance expenses
The standard maintenance expense allowance for lump sum risk policies is $337 (2022: $388) gross per cover per year. Certain policy groups have non-standard allowances. These expenses are assumed to be increased in line with the indexation assumption above. The maintenance expense allowance for income protection covers is $535 (2022: $524) per cover per year.

Maintenance costs of permanent assurances are estimated to equal 2.2 times those for risk policies. This is the same relativity as was used in the previous valuation.

Acquisition expenses
The standard acquisition expense allowance for new lump sum covers written is $1,534 (2022: $1,015). The standard acquisition expense allowance for new income protection covers written is $3,186 (2022: $2,149). The unit expenses are based upon a broad analysis of the Company's actual expenses for the year.

Investment expenses
Investment expenses equalled 0.10% of funds under management (2022: no change).

The breakdown of expenses used for valuation purposes is below. Expenses that are considered non-recurring are excluded from maintenance expense assumptions.

	2023 $000	2022 $000
Maintenance expenses	12,152	7,823
Acquisition expenses	5,082	4,094
Investment expenses	66	62
	17,300	11,979

Mortality and Morbidity

The basic rates of mortality assumed for life products were:

Males	63% of IA95-97M (2022: no change)
Females	63% of IA95-97F (2022: no change)

Modifications have been made from these base tables to reflect smoker/non-smoker habits and duration in force (unchanged from 2022).

The experience for critical illness (Recovery) and total and permanent disability contracts is assumed to equal 85.00% of the reinsurance risk premium rates, net of GST (2022: no change).

Increased loadings are applied to mortality and morbidity risks above the age of 60 to allow for selective lapsing (no change from 2022 loadings).

Income protection claim frequencies and claim terminations are based on adjustments to the Commissioners Individual Disability (CIDA) table, reflecting the Company's experience (no change from 2022's combined claim frequency and termination rate assumptions).

Discontinuances

Risk insurances including: • Term Life • Dread Disease • Total Permanent Disablement	Yearly renewable contracts: 6.00% per annum, with additional selective lapses above age 60 (2022: 5.00%) Level term contracts: 6.00% per annum (2022: no change)
Traditional participating business	5.00% per annum (2022: no change)
Income Protection	5.00% per annum for Income Security Plan, 6.00% per annum for Income Protection Plan, higher for some closed legacy policies (2022: no change)

Future Participating Business

The Company's philosophy is to set bonus rates such that over longer periods, the returns to participating policyholders will be commensurate with the investment returns on the assets held. Distributions are split between policyholders and shareholders, with shareholders assumed to be entitled to 25% of the distribution to policyholders. Assumed rates of future bonus have been set so that the present value of the policy liabilities equals the present value of the assets supporting the business. Allowance is made for the shareholders' right to participate in the distributions.

Assumed future bonus rates for participating policies were:

Bonus rate on sum assured	$17.10 per mille (2022: $13.90 per mille)
Bonus rate on existing bonuses	$27.03 per mille (2022: $23.60 per mille)

The increase in the supportable bonus rates arises from the increase in the projected future investment returns, notwithstanding the investment losses for the participating fund over the past year.

11. Policy Liabilities – Medical Life Assurance Society Limited

	2023 $000	2022 $000
Gross future claims	273,482	301,415
Future reinsurance premiums	186,181	200,599
Future reinsurance recoveries	(140,810)	(154,733)
Future policy bonuses	1,251	1,053
Future expenses	100,161	118,482
Future profit margins	150,261	151,922
Balance of future premiums	(571,668)	(620,800)
Policy Liabilities before bonus	(1,142)	(2,062)
Bonus declared at year end	–	115
Total Policy Liabilities at period end	(1,142)	(1,947)
Total Policy Liabilities at previous period end	(1,947)	(2,664)
Movement in Policy Liabilities for the period	(805)	(717)

MLA operates a sub-fund in respect of its participating policyholders as required under the Insurance (Prudential Supervision) Act 2010 and Regulations. The progress of the participating sub-fund over the year has been as follows:

	2023 $000	2022 $000
Participating fund at previous balance date	4,600	4,831
Investment income less claims and expenses	(108)	(202)
Loss / (Profit) distributed to shareholders	15	(29)
Participating fund at balance date	**4,507**	**4,600**
Policyholder retained earnings at previous balance date	207	367
Loss / (Profit) distributed as bonuses to participating policyholders	12	(115)
Policyholder share of profit (80%)	(153)	(45)
Policyholder retained earnings at balance date	**66**	**207**
Shareholder retained earnings at previous balance date	51	91
Loss / (Profit) distributed to shareholders	3	(29)
Shareholder share of profit (20%)	(38)	(11)
Shareholder retained earnings at balance date	**16**	**51**

Based on the recommendations of the Appointed Actuary, the Board has not approved a bonus declaration for participating policyholders:

Bonus on sum insured	0% (2022: 1.20%)
Bonus on existing bonuses	0% (2022: 1.90%)

Contents

12. Outstanding Claims – Medical Life Assurance Society Limited

The following table shows the development of undiscounted outstanding claims relative to the current estimate of ultimate disability claims costs for the ten most recent years. Due to the long tail nature of disability claims, MLA has a number of active claims that pre-date 2014.

The outstanding claims liability has been determined by the Appointed Actuary. There are a number of significant judgements made in determining the claims estimate including the expected duration of disablement and the amount of benefit payable to the claimant. The average future duration of disability claims is 6.0 years (2022: 6.0 years).

	Incident Year											
	Prior $000	2014 $000	2015 $000	2016 $000	2017 $000	2018 $000	2019 $000	2020 $000	2021 $000	2022 $000	2023 $000	Total $000
At end of incident year		5,270	5,839	7,561	6,549	7,577	6,630	9,231	14,054	16,735	9,643	
One year later		6,266	5,272	7,475	10,151	9,018	8,389	14,006	19,915	18,772	–	
Two years later		6,186	5,933	7,360	11,761	11,349	8,663	15,390	18,805	–	–	
Three years later		5,438	7,012	7,477	14,243	9,772	9,101	17,121	–	–	–	
Four years later		5,163	7,109	8,267	16,625	11,268	9,134	–	–	–	–	
Five years later		5,365	6,537	8,815	17,496	10,229	–	–	–	–	–	
Six years later		5,685	6,869	8,534	17,570	–	–	–	–	–	–	
Seven years later		5,803	6,811	8,633	–	–	–	–	–	–	–	
Eight years later		5,833	6,956	–	–	–	–	–	–	–	–	
Nine years later		5,909	–	–	–	–	–	–	–	–	–	
Current estimated claim cost		5,909	6,956	8,633	17,570	10,229	9,134	17,121	18,805	18,772	9,643	
Payments		(5,488)	(6,060)	(7,214)	(10,265)	(6,226)	(6,498)	(8,556)	(7,450)	(4,975)	(3,051)	
Central estimate	5,863	421	896	1,419	7,304	4,002	2,636	8,565	11,355	13,797	6,592	62,851
Discount to present value	(970)	(49)	(142)	(237)	(1,804)	(1,139)	(729)	(1,929)	(2,646)	(3,521)	(1,009)	(14,175)
Discounted estimate	4,893	372	754	1,182	5,501	2,863	1,907	6,636	8,709	10,276	5,583	48,677

Life claims are excluded from the above analysis as they are typically settled within a short timeframe of the claim being recognised.

	2023 $000	2022 $000
Disability Claims Outstanding	48,677	52,264
Life Claims Outstanding	2,170	5,651
	50,847	57,915

13. Loans

	2023 $000	2022 $000
Loans – Current	–	25
Loans – Non-Current	466	605
Less Provision for Credit Impairment	(40)	(77)
Net Loans	426	553
Provision for Credit Impairment		
Collective Loan Provision	37	48
Specific Loan Provision	3	29
Total Provision for Credit Impairment	40	77
Set out below is the movement in the Provision for Credit Impairment:		
Opening Balance	77	118
Movement in Loan Provisions	(37)	(41)
Closing Balance	40	77

Lending Revenue	2023 $000	2022 $000
Loan Interest Revenue	56	66
Credit Recovery	21	54
Total Lending Revenue	77	120

14. Employee Benefits Provision

	2023 $000	2022 $000
Current Employee Benefits	2,468	2,402
Non-Current Employee Benefits	2,180	2,092
Total Employee Benefits Provision	4,648	4,494

Current Employee Benefits

Includes annual leave, accumulating sick leave and current long service leave that employees are entitled to. They are expected to be settled within twelve months of the reporting date and are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Non-Current Employee Benefits

Represents a provision for the expected future long service leave that will be payable. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and periods of service of current and former employees. Expected future payments are discounted using New Zealand Government Stock rates that most closely match the maturity term.

Contents

15. Trade and Other Payables and Provisions

	2023 $000	2022 $000
Government Levies Payable	4,284	2,617
GST Payable	4,168	4,150
Incentive Remuneration Payable	1,003	612
Trade and Other Payables	8,627	9,529
Remediation Provision	5,158	8,777
Total Trade and Other Payables and Provisions	23,240	25,685

Set out below is the movement in the remediation provision:

	2023 $000	2022 $000
As at 1 April	8,777	12,379
Remediation Addition	231	7,984
Remediation Decrease	(117)	(5,704)
Remediation Payments	(3,732)	(5,882)
As at 31 March	5,158	8,777

All payables are due within twelve months of balance date.

The Group is well advanced in its programme to remediate Members for issues that have been identified. The remediation provision reflects management's best estimate of the amount to meet these obligations. The provision covers estimates for refunds, inconvenience payments, regulatory penalties and the cost of administering the remediation programme. It is expected the remediation provision will be utilised within twelve months of balance date.

16. Other Insurance Liabilities

	2023 $000	2022 $000
Reinsurance Premium Payable	5,127	1,543
Premiums Received in Advance	1,990	1,778
Total Other Insurance Liabilities	7,117	3,321

Reinsurance premium payable is accrued but not yet paid reinsurance premium. Premiums received in advance are premium payments received from policyholders for policies starting subsequent to balance date.

17. Compensation Paid to Key Management Personnel

	2023 $000	2022 $000
Salaries and Other Short-term Employee Benefits	3,610	3,219
Termination Benefits	405	–
MAS Directors' Fees	776	731
Total Compensation	4,791	3,950

No shares or pension entitlements are provided to Directors or employees.
Key management personnel is defined as Directors and members of the Executive Management Team.

18. Other Revenue from Contracts with Customers

Type of Service	2023 $000	2022 $000
Mortgage Referral Fee Income	262	266
Other Services	2,312	2,852
Total Other Revenue from Contracts with Customers	2,574	3,118
Timing of Revenue Recognition		
Services transferred over time	2,026	2,637
Services transferred at a point in time	548	481
Total Other Revenue from Contracts with Customers	2,574	3,118

Other Revenue from Contracts with Customers is comprised of fee income from mortgage referrals and revenue from other services including administration services and HealthyPractice® operations.

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring services to customers. Mortgage referral fee income is recognised when a mortgage is drawn down and a fee is payable to the Group. Revenue from other services is typically recognised monthly as services are provided.

19. Administration Expenses

Included in Administration Expenses are the following:	2023 $000	2022 $000
Fees to auditors – for the audit of financial statements	307	167
Fees to auditors – for other assurance and related services	38	36
Fees to auditors – for agreed upon procedures	14	8
Fees to auditors – for other services	53	62
Directors' fees	776	731
Loss on disposal of property, plant, equipment and intangibles	–	9
Depreciation and amortisation	3,284	3,196
MAS Foundation Grants	726	2,587
Donations and Koha	82	75

19. Administration Expenses – Continued

The auditor of the Group is Ernst & Young (EY). Fees for the audit of financial statements includes $44,000 relating to the audit of the Schemes which are managed by MFM (2022: $0, paid by the Schemes) and fees relating to the IFRS 17 opening balance sheet assurance (2022: $0). Other assurance and related services relate to reviews of regulatory reporting (2022: no change) and are required by legislation to be provided by the auditor. Fees to auditors for agreed upon procedures relate to MFM's Net Tangible Asset calculation as required by the FMA, and Supervisor and Trustee reporting (2022: MFM Net Tangible Asset calculation). Fees to auditors for other services are for remuneration advice (2022: remuneration advice and development of climate-related financial disclosures). The Board has considered the non-audit work carried out by the auditor and is satisfied the work did not compromise auditor objectivity and independence. Total fees to EY were $412,000 (2022: $273,000).

Included in Administration Expenses are costs in relation to remediation. Refer to Note 15 for further details.

Depreciation and amortisation includes $1.2 million of depreciation charges on the right-of-use lease assets (2022: $1.3 million).

20. Investment and Sundry Income

	2023 $000	2022 $000
Income from Investment Funds	(2,887)	3,112
Rent Received	8	8
Interest on Cash and Deposits	105	15
Sundry Income	266	935
Total Investment and Sundry (Loss) / Income	(2,508)	4,070
Realised Income	8,943	7,556
Unrealised Loss	(11,451)	(3,486)
Total Investment and Sundry (Loss) / Income	(2,508)	4,070

The Group's investment securities are all financial assets classified as fair value through profit or loss. Fair value adjustments and realised gains or losses are recognised in profit or loss. Realised investment income is made up of interest and dividends received from investments. Unrealised investment loss/income is made up of unrealised fair value changes in investments.

21. Contributed Equity

	2023 $000	2022 $000
10,000 Voting Shares	110	110
1 Non-Voting Distribution Share	–	–
	110	110

All voting shares carry the same voting rights. Directors have no plans to issue further shares. One non-voting distribution share in the capital of the Parent has been issued to the Foundation at a cost of $0.

Capital Management Policies and Objectives

When managing capital, management's objective is to ensure the Group continues as a going concern, adheres to regulatory requirements, and maintains optimal returns to shareholders (Members and the Foundation) and benefits for other stakeholders. The Foundation receives distributions from the Group and funds health initiatives in line with the Group's charitable purpose. Target levels of capital for the Parent and subsidiary entities are outlined in Board approved capital management plans. These plans consider the expected levels of capital over the next five years. Scenario and stress testing of the current and future capital position is carried out.

21. Contributed Equity – Continued

Capital Requirements

The Group as a group is not subject to any externally imposed capital requirements. However, a number of the subsidiary companies are. These requirements include:

Medical Funds Management Limited (MFM)

MFM holds a Managed Investment Scheme Manager Licence and must calculate its Net Tangible Assets (NTA) at least monthly. If the calculated NTA is not positive, MFM must notify its Supervisor. At 31 March 2023, the Company was not in breach of any of its regulatory requirements, nor has it been at any stage during the current reporting period (2022: no breaches).

Medical Insurance Society Limited (MIS) and Medical Life Assurance Society Limited (MLA)

Both MIS and MLA are licensed insurers under the Insurance (Prudential Supervision) Act 2010 ("IPSA"). Conditions are imposed as part of licencing including maintaining a solvency margin of at least $0. That is, actual solvency capital as determined under the solvency standard should be at or above the minimum solvency capital level. The solvency margins have been determined in accordance with the requirements of the solvency standards issued under the Insurance (Prudential Supervision) Act 2010.

MIS and MLA have capital management plans and reporting processes in place to assist the companies in maintaining continuous and full compliance with the solvency standard.

The Reserve Bank of New Zealand (RBNZ) issued the Interim Solvency Standard (ISS) in October 2022. MIS and MLA are required to report their regulatory capital using the ISS from 1 April 2023.

At 31 March 2023, MIS was not in breach of any of its regulatory requirements, nor has it been at any stage during the current reporting period (2022: no breaches).

MIS' solvency position as per the solvency standard is as follows:

	2023 $000	2022 $000
Actual Solvency Capital	47,792	42,456
Minimum Solvency Capital	32,288	24,907
Solvency Margin	15,504	17,549
Solvency Ratio	1.48	1.70

The Medical Life Assurance Statutory Fund encompasses all the assets and liabilities of MLA. The solvency position of the statutory fund is the same as MLA.

At 31 March 2023, MLA was not in breach of any of its regulatory requirements, nor has it been at any stage during the current reporting period (2022: no breaches).

MLA's solvency position as per the solvency standard is as follows:

	2023 $000	2022 $000
Actual Solvency Capital	67,009	63,655
Minimum Solvency Capital	51,317	51,292
Solvency Margin	15,692	12,363
Solvency Ratio	1.31	1.24

22. Trade and Other Receivables

	2023 $000	2022 $000
GST Receivable	189	175
Management Fee Receivable for Funds Management	1,775	1,796
Trade and Other Receivables	280	104
Allowance for Expected Credit Losses	–	–
Total Trade and Other Receivables	2,244	2,075

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2023 $000	2022 $000
As at 1 April	–	(930)
Movement in Allowance for Expected Credit Losses	–	930
As at 31 March	–	–

Trade receivables are non-interest bearing and are generally on terms of 30 days.

23. Property, Plant and Equipment

31 March 2023	Land $000	Buildings $000	Furniture, Fittings and Equipment $000	Work in Progress $000	Total $000
Opening Net Book Value	3,900	1,615	2,724	–	8,239
Additions	–	–	625	220	845
Depreciation Expense	–	(43)	(980)	–	(1,023)
Closing Net Book Value	3,900	1,572	2,369	220	8,061
Cost / Revaluation	3,900	1,615	9,482	220	15,217
Accumulated Depreciation	–	(43)	(7,113)	–	(7,156)
Closing Net Book Value	3,900	1,572	2,369	220	8,061

31 March 2022	Land $000	Buildings $000	Furniture, Fittings and Equipment $000	Work in Progress $000	Total $000
Opening Net Book Value	2,975	2,043	2,980	–	7,998
Additions	–	–	615	–	615
Disposals	–	–	(9)	–	(9)
Revaluations	925	(428)	–	–	497
Depreciation Expense	–	–	(860)	–	(860)
Closing Net Book Value	3,900	1,615	2,726	–	8,241
Cost / Revaluation	3,900	1,615	9,214	–	14,729
Accumulated Depreciation	–	–	(6,488)	–	(6,488)
Closing Net Book Value	3,900	1,615	2,726	–	8,241

23. Property, Plant and Equipment – Continued

Revaluation of Land and Buildings

The most recent market valuation of Land and Buildings was completed by Martin Veale, FNZIV, FPINZ, a registered valuer from TelferYoung (Wellington) Limited on 31 March 2022. The valuation approach used was the Income Approach. The resulting fair value figure of $5.5 million was recognised by decreasing the carrying value of the Buildings by $0.4 million and increasing the carrying value of the land by $0.9 million. Significant unobservable inputs used in the valuation include the capitalisation rate/yield. Changes to the inputs may result in a significantly higher or lower fair value measurement. The effective date of the revaluation was 31 March 2022.

Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. The fair value is assessed as a level 3 disclosure under the fair value hierarchy. There were no transfers in levels during the year (2022: no transfers).

If Land and Buildings were measured using the cost model the carrying amounts would be as follows:

	2023 $000	2022 $000
Land	821	821
Buildings	4,611	4,611
Accumulated Depreciation on Buildings	(4,205)	(4,089)
	406	522

24. Intangibles

31 March 2023	Software $000	Work in Progress $000	Total $000
Opening Net Book Value	3,027	–	3,027
Amortisation Expense	(1,024)	–	(1,024)
Closing Net Book Value	2,003	–	2,003
Cost	27,743	–	27,743
Accumulated Amortisation	(25,740)	–	(25,740)
Closing Net Book Value	2,003	–	2,003

31 March 2022	Software $000	Work in Progress $000	Total $000
Opening Net Book Value	4,093	–	4,093
Additions	8	–	8
Amortisation Expense	(1,074)	–	(1,074)
Closing Net Book Value	3,027	–	3,027
Cost	30,383	–	30,383
Accumulated Amortisation	(27,356)	–	(27,356)
Closing Net Book Value	3,027	–	3,027

25. Lease Liabilities and Right-of-Use Assets

Under NZ IFRS 16 Leases, the Group recognises a lease liability and right-of-use asset in the Statement of Financial Position at commencement of a lease, except when the lease is a short-term lease. The Group is a party to lease contracts for properties, motor vehicles and printers.

The Group applied the practical expedient for short-term leases and recognised payments associated with short-term leases of properties, motor vehicles and printers on a straight-line basis as an expense in the Statement of Comprehensive Income. The expense for the year ended 31 March 2023 was $26,000 (2022: $62,000).

The Group recognised $400,000 (2022: $407,000) of interest expense on the lease liabilities and $1.2 million (2022: $1.3 million) of depreciation expense on the right-of-use assets for the year. The estimated useful life of right-of-use assets is the term of the lease.

31 March 2023	Properties $000	Motor Vehicles $000	Printers $000	Total $000
Opening Net Book Value	8,037	294	75	8,406
Additions	1,495	108	–	1,603
Reassessment of Lease Liabilities	(237)	80	–	(157)
Depreciation Expense	(880)	(330)	(26)	(1,236)
Closing Net Book Value	8,415	152	49	8,616
Cost	11,831	1,477	77	13,385
Accumulated Depreciation	(3,416)	(1,325)	(28)	(4,769)
Closing Net Book Value	8,415	152	49	8,616

31 March 2022	Properties $000	Motor Vehicles $000	Printers $000	Total $000
Opening Net Book Value	8,928	416	–	9,344
Additions	–	307	77	384
Reassessment of Lease Liabilities	(62)	–	–	(62)
Depreciation Expense	(829)	(429)	(2)	(1,260)
Closing Net Book Value	8,037	294	75	8,406
Cost	10,573	1,289	77	11,939
Accumulated Depreciation	(2,536)	(995)	(2)	(3,533)
Closing Net Book Value	8,037	294	75	8,406

Lease Liabilities	2023 $000	2022 $000
Current	1,008	986
Non-Current	8,752	8,427
Total Lease Liabilities	9,760	9,413

25. Lease Liabilities and Right-of-Use Assets – Continued

Changes in Lease Liabilities:	2023 $000	2022 $000
Balance at 1 April	9,413	10,192
Cash Flows	(1,499)	(1,508)
Accretion of Interest	400	407
Lease Additions	1,603	384
Change in Future Lease Payments	(157)	(62)
Balance at 31 March	9,760	9,413

26. Deferred Acquisition Costs – Medical Insurance Society Limited

	2023 $000	2022 $000
Opening Balance	1,145	943
Acquisition Costs deferred during the year	1,270	1,145
Current Period Amortisation	(1,145)	(943)
Closing Balance	1,270	1,145

27. Investments

Investments by Class	2023 $000	2022 $000
On Call and Term Deposits	106,078	100,884
Domestic Fixed Interest	54,687	30,453
MAS Wholesale NZ Fixed Interest Fund	9,794	10,766
International Fixed Interest (Unit Trust)	60,399	70,787
MAS Wholesale Australasian Equities Fund	31,431	35,718
MAS Wholesale International Equities Fund	54,292	69,560
Total Investments	316,681	318,168

Investments by Entity		
Life Assurance Investment Funds (MLA)	77,218	75,999
General Insurance Investment Funds (MIS)	130,593	112,884
Funds Management Investment Funds (MFM)	2,640	2,680
MAS Foundation Investment Funds	3,656	3,508
Other Investment Funds	102,574	123,097
Total Investments	316,681	318,168

28. Fair Value of Financial Assets and Liabilities

During the year, the Group has been advised by JBWere (NZ) Limited and Bancorp Treasury Services Limited on the management of investments. The majority of funds are invested in unitised or pooled vehicles. The Group invests in the MAS Wholesale Investment Funds managed by Medical Funds Management Limited (MFM).

Fair Value Methodologies

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values are based on relevant information available as at balance date. While judgement is used in obtaining the fair value of financial instruments, there are inherent weaknesses in any estimation technique.

Many of the estimates involve uncertainties and matters of significant judgement, and changes in underlying assumptions could significantly affect these estimates. Furthermore, market prices or rates of discount are not available for many of the financial instruments valued and surrogates have been used which may not reflect the price that would apply in an actual sale. The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

Cash and Cash Equivalents, On Call and Term Deposits

For Cash, Cash On Call and Short Term Deposits, balances with other financial institutions with maturities of less than three months and other types of short term financial assets, the carrying values of these financial instruments are considered to approximate their fair values as they are short term in nature or are receivable on demand.

Domestic Fixed Interest

The fair value for fixed interest investments is determined by reference to quoted prices in active markets for similar assets or liabilities. Where not available or the market is considered to be lacking sufficient depth to be active, fair value is determined by reference to other significant inputs that are based on observable market data, for example interest rate yield curves and the maturity profile.

Unit Trust and MAS Wholesale Funds

The fair value for investments in managed funds is determined based on unit prices provided by the relevant fund manager.

Loans

The carrying value of Loans approximates fair value, as it is based on the discounted estimated future cash flows net of the provision for credit impairment.

Fair Value Hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. The only assets that the Group recognises on a fair value basis are its investments (refer to Classification of Financial Instruments in Note 29 for details of the classification categories). There have been no transfers between the levels during the year (2022: no transfers).

31 March 2023 Financial Assets	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
On Call and Term Deposits	–	106,078	–	106,078
Domestic Fixed Interest	–	54,687	–	54,687
MAS Wholesale NZ Fixed Interest Fund	–	9,794	–	9,794
International Fixed Interest (Unit Trust)	–	60,397	–	60,397
MAS Wholesale Australasian Equities Fund	–	31,431	–	31,431
MAS Wholesale International Equities Fund	–	54,292	–	54,292

28. Fair Value of Financial Assets and Liabilities – Continued

31 March 2022 Financial Assets	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
On Call and Term Deposits	–	100,884	–	100,884
Domestic Fixed Interest	–	30,453	–	30,453
MAS Wholesale NZ Fixed Interest Fund	–	10,766	–	10,766
International Fixed Interest (Unit Trust)	–	70,787	–	70,787
MAS Wholesale Australasian Equities Fund	–	35,718	–	35,718
MAS Wholesale International Equities Fund	–	69,560	–	69,560

A level 1 financial asset or liability comprises those assets and liabilities that are valued by reference to published quotes in an active market and the price reflects actual and regularly occurring market transactions on an arm's length basis.

A level 2 financial asset or liability is measured using industry standard valuation techniques and are based on market observable inputs but where the prices have not been determined in an active market.

A level 3 financial asset or liability value is determined in part, or in whole, using valuation techniques based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data.

29. Financial Instruments and Risk Management

Effective risk management is key to achieving the Group's strategic goals. The Board approves the Risk Appetite Statement which sets the risk tolerances the Group is willing to take. Other key documents within the risk management framework include:

- risk management programmes for the core subsidiaries;
- business continuity and disaster recovery plans;
- capital management plans for the Parent entity and all subsidiaries; and
- reinsurance management policies for the insurance entities.

The Group operates the Three Lines of Defence model. The main risks arising from the financial instruments and the business the Group engages in are insurance risk, credit risk, market risk, asset management risk, liquidity risk and operating risk.

Insurance Risk

Insurance risk is the risk that either inadequate or inappropriate product design, pricing, underwriting, reserving, claims management or reinsurance management will expose the Group to financial loss and, in the worst case a consequent inability to meet its liabilities when they fall due.

There are a number of key policies in place which mitigate insurance risk, including:

- the recruitment, retention and ongoing training of suitably qualified personnel;
- delegated authorities for the underwriting of risks, claims acceptance and settlement;
- the use of external actuarial expertise to assist in determining premium levels and monitoring claims patterns;
- the use of reinsurance to limit the Group's exposure to large single claims and accumulations of claims that arise from a singular event;
- the reduction in the variability in loss experience through diversification over classes of insurance business; and
- the modelling and monitoring of concentrations of risk which are particularly relevant in the case of natural disasters and catastrophes and accordingly must be recognised in the development of the reinsurance programme.

The concentration of insurance risk is mitigated through the use of reinsurance and the diversification of risk across a number of products (both life and general insurance).

Notes to and Forming Part of the Financial Statements for the year ended 31 March 2023

29. Financial Instruments and Risk Management – Continued

Credit Risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitment in full and on time, or from losses arising from the change in value of a financial instrument as a result of changes in credit risk on that instrument. Credit risk principally arises from the Group's fixed interest and cash investments, policyholder premiums and reinsurance exposures. The maximum credit risk exposures are the carrying amounts.

The Group manages credit risk in its insurance operations by:

- the use of standard credit control techniques which ensure that premium payments are made within a reasonable timeframe, or cover and hence exposure to claim is cancelled;
- the placement of reinsurance cover in accordance with the Group's reinsurance policies. The policies contain requirements to limit the level of exposure to an individual reinsurer and requires reinsurers to have a minimum Standard & Poor's credit rating of A- at the time of placement; and
- ongoing monitoring of a reinsurer's credit risk rating to control exposure to reinsurance counterparty default.

Statement of Financial Position credit exposures:	2023 $000	2022 $000
Cash and Cash Equivalents	3,338	3,173
Trade and Other Receivables	2,244	2,075
Investments	316,681	318,168
Premiums Outstanding	45,080	38,948
Reinsurance Recoveries Outstanding	132,217	48,887
Loans	426	553
	499,986	411,804

Counterparty Exposures

While the Group may be subject to credit losses up to the notional principal amount in the event of non-performance by its counterparties, it does not expect such losses to occur other than as already provided for.

The following table discloses the number of counterparties the Group has an exposure to in excess of 10% of equity. All of the Group's counterparty exposures in excess of 10% of equity hold a Standard & Poor's credit rating (or equivalent) of at least A.

	2023	2022
10% – 20% of equity	1	1

The investment portfolio, which potentially exposes the Group to credit risk, consists of cash on-call, short term deposits and fixed interest securities, investments in Wholesale Funds and Unit Trusts which invest in short term domestic deposits, domestic and international fixed interest securities and Australasian and international equities. The maximum exposure to credit risk is the carrying value of these financial instruments.

Investment funds in part back the insurance operations and in part support share capital and retained earnings. Investment mandates have been structured accordingly and are formalised by way of Statements of Investment Policy and Objectives ("SIPOs"). The Group's Investment Committee meets regularly to develop and review investment strategy and monitor manager performance.

29. Financial Instruments and Risk Management – Continued

Statement of Financial Position investment exposures	2023 $000	2022 $000
Cash and Cash Equivalents	3,338	3,173
On Call and Term Deposits	106,078	100,884
Domestic Fixed Interest	54,687	30,453
MAS Wholesale NZ Fixed Interest Fund	9,794	10,766
International Fixed Interest (Unit Trust)	60,399	70,787
MAS Wholesale Australasian Equities Fund	31,431	35,718
MAS Wholesale International Equities Fund	54,292	69,560
	320,019	321,341

The following table provides information on the credit risk exposure for financial assets with external credit ratings and highlights the credit quality of the Group's exposures. Investment grade financial assets are classified within the range of AAA to BBB, with AAA being the highest possible rating. The 'Below BBB and not rated' column discloses those assets below BBB and not rated by external ratings agencies and principally comprises fixed interest investments with local government authorities.

The credit rating analysis is only shown for fixed interest investments held directly by the Group. Investments in Wholesale Funds and Unit Trusts are not included in the table below as the funds are invested in unitised or pooled vehicles. The underlying credit quality of the funds is mandated by the SIPO.

31 March 2023	AAA	AA	A	BBB	Below BBB and not rated	Carrying value $000
Cash and Cash Equivalents	–	100.0%	–	–	–	3,338
On Call and Term Deposits	–	65.0%	35.0%	–	–	106,078
Domestic Fixed Interest	–	57.9%	1.6%	31.5%	9.0%	54,687
Reinsurance Recoveries	–	44.0%	55.9%	–	0.1%	132,217
31 March 2022						
Cash and Cash Equivalents	–	100.0%	–	–	–	3,173
On Call and Term Deposits	–	63.1%	36.9%	–	–	100,884
Domestic Fixed Interest	–	23.5%	3.1%	56.7%	16.7%	30,453
Reinsurance Recoveries	–	82.2%	17.3%	–	0.5%	48,887

Market Risk
Market risk is the risk of loss of current and future earnings from adverse moves in interest rates and the prices of other financial contracts.

Interest Rate Risk
Interest rate risk is the risk that the value / future value of a financial instrument will fluctuate because of changes in interest rates. The Group uses natural offsets (matching assets with liabilities) to minimise the mismatches within policy limits set by the Board. Interest rate movements impact the value of the Group's insurance liabilities.

Price Risk
The Group is subject to price risk arising from changes in the market values of its domestic fixed interest investments, Wholesale Fund and Unit Trust investments.

Liquidity Risk
Liquidity risk arises where liabilities cannot be met as they fall due as a result of insufficient liquid funds. The Group's Treasury Policies mandate minimum levels of liquidity that the Group must hold to ensure obligations are met as they fall due.

29. Financial Instruments and Risk Management – Continued

The following table analyses the Group's financial assets and liabilities at balance date into the relevant maturity groupings based on the remaining period to the contractual maturity date (if applicable). Investments in Unit Trusts, Wholesale Funds and Cash on Call do not have a maturity date. The amounts disclosed below are undiscounted contractual cash flows and therefore not all amounts will agree to the carrying value on the Statement of Financial Position. The Group manages cash flows on a contractual basis.

Liquidity profile of financial instruments:

31 March 2023	No maturity date $000	0 – 6 months $000	6 – 12 months $000	1 – 2 years $000	2 – 5 years $000	Over 5 years $000	Total $000
Financial Assets							
Cash and Cash Equivalents	3,338	–	–	–	–	–	3,338
Trade and Other Receivables	–	2,244	–	–	–	–	2,244
Investments	189,491	26,152	56,058	3,785	19,518	21,677	316,681
Loans	–	–	–	–	3	463	466
	192,829	28,396	56,058	3,785	19,521	22,140	322,729
Financial Liabilities							
Trade and Other Payables	–	13,914	–	–	–	–	13,914
Lease Liabilities	–	546	462	833	2,681	5,237	9,760
	–	14,460	462	833	2,681	5,237	23,674

31 March 2022	No maturity date $000	0 – 6 months $000	6 – 12 months $000	1 – 2 years $000	2 – 5 years $000	Over 5 years $000	Total $000
Financial Assets							
Cash and Cash Equivalents	3,173	–	–	–	–	–	3,173
Trade and Other Receivables	–	2,075	–	–	–	–	2,075
Investments	214,678	31,691	41,346	8,979	6,660	14,814	318,168
Loans	–	13	12	12	17	576	630
	217,851	33,779	41,358	8,991	6,677	15,390	324,046
Financial Liabilities							
Trade and Other Payables	–	12,758	–	–	–	–	12,758
Lease Liabilities	–	531	455	778	2,257	5,392	9,413
	–	13,289	455	778	2,257	5,392	22,171

Asset Management Risk
The Group is exposed to this risk due to its management of the MAS KiwiSaver Scheme and MAS Retirement Savings Scheme ("the Schemes"). Management fee revenue earned from these schemes is linked to the amount of funds under management ("FUM"). FUM could reduce due to a number of factors including; poor investment performance, market volatility and the competitiveness of the Scheme's offerings. The Group's Investment Committee regularly reviews the performance of the Schemes and the fund managers to minimise this risk.

29. Financial Instruments and Risk Management – Continued

Operating Risk
Operating risk is the risk of loss resulting from either external events, inadequate or failed systems or processes, or human error. Operational failures may lead to poor outcomes for Members, health and safety incidents, regulatory or legal implications, financial loss or reputational impacts. These risks are minimised whenever it is commercially sensible to do so.

There are a number of key policies and programmes in place which mitigate operating risk, including:

- management and staff are responsible for identifying, assessing and managing operational risks in accordance with their roles and responsibilities;
- Internal Assurance and Risk functions are charged with assisting staff in identifying current and emerging risks and ensuring the sufficiency of and ongoing presence of suitable mitigants;
- regular external review and testing of the Group's information security including for cyber risks;
- identifying critical outsourced providers and having appropriate plans in place in the event of supplier failure;
- regular monitoring and reporting on risks, financial and operational performance to Senior Management and the Board.

Sensitivity Analysis
The Group has two risks which are price sensitive to an extent that they may impact earnings materially. These are Insurance Risk and Market Risk (as it pertains to investments). The following table looks at how a range of reasonably possible movements in key risk variables, with all other variables held constant, can influence profit or loss and equity.

Sensitivity Analysis (Medical Life Assurance Society Limited "MLA")

		2023		2022	
Risk Variable	**Movement**	**Effect on future margins $000**	**Effect on policy liabilities $000**	**Effect on future margins $000**	**Effect on policy liabilities $000**
Insurance Risk (MLA):					
Discount rate	Increase by 1%	14,460	2,180	15,990	2,660
	Decrease by 1%	(16,850)	(2,540)	(18,840)	(3,140)
Claims	Increase by 10%	16,840	–	18,100	–
	Decrease by 10%	(16,840)	–	(18,100)	–
Lapses / Surrenders	Increase by 10%	10,490	–	22,190	–
	Decrease by 10%	(11,510)	–	(25,810)	–
Expenses	Increase by 10%	9,990	–	11,820	–
	Decrease by 10%	(9,990)	–	(11,820)	–

Insurance risk exists relative to impacts on the provisioning for outstanding disability claims and the determination of the policy liabilities at period end. Both movements in discounts rates and variations in termination rates can have a material impact on profit and equity.

Contents

29. Financial Instruments and Risk Management – Continued

Sensitivity Analysis (Medical Insurance Society Limited "MIS") — Impact on Profit and Equity

Risk Variable	**Movement**	**2023 $000**	**2022 $000**
Insurance Risk (MIS):			
Change in outstanding claims	Increase by 1%	(353)	(341)
	Decrease by 1%	353	341
Discount rates	Increase by 1%	307	376
	Decrease by 1%	(321)	(393)

Sensitivity Analysis (Medical Assurance Society New Zealand Limited "the Group") — Impact on Profit and Equity

Risk Variable	**Movement**	**2023 $000**	**2022 $000**
Market Risk (Group):			
Short term deposit rates	Increase by 1%	1,094	1,041
	Decrease by 1%	(1,094)	(1,041)
Bond interest rates	Increase by 1%	(1,229)	(656)
	Decrease by 1%	1,229	656
Unit prices	Increase by 10%	15,591	18,683
	Decrease by 10%	(15,591)	(18,683)

Classification of Financial Instruments

Financial Assets and Financial Liabilities have been classified into the categories defined in NZ IFRS 9 Financial Instruments in the tables below. The carrying amount of financial assets and liabilities at amortised cost reasonably approximates fair value. No financial assets were reclassified during the year (2022: none).

Financial Assets	**2023 $000**	**2022 $000**
Financial assets at amortised cost		
Trade and Other Receivables	2,244	2,075
Loans	426	553
Financial assets at fair value through profit or loss		
Investments	316,681	318,168
	319,351	320,796

Financial Liabilities	**2023 $000**	**2022 $000**
Financial liabilities at amortised cost		
Trade and Other Payables	13,914	12,758
Lease Liabilities	9,760	9,413
	23,674	22,171

30. Reconciliation of Cash Flows

	2023 $000	2022 $000
Reported (Loss) / Profit after Taxation	(10,207)	4,689
Add / (Deduct) Non-Cash Items:		
Depreciation, Impairment and Amortisation	3,286	3,197
Loss on Disposal of Property, Plant and Equipment	–	9
Revaluation of Buildings	–	321
Reversal of Credit Impairment	(21)	(54)
Addition to Unearned Premium	11,221	7,071
Change in Deferred Acquisition Costs	(125)	(202)
Unrealised Investment Loss	11,451	3,486
Movement in Impairment and Expected Credit Loss Provisions	299	(1,113)
Changes in Operating Assets and Liabilities:		
Trade and Other Payables, Provisions and Liabilities	1,186	1,218
Trade and Other Receivables and Prepayments	(369)	1,993
Loans	164	902
Outstanding Claims	83,836	6,359
Reinsurance Recoveries	(83,330)	(8,668)
Life Policy Liabilities	805	717
Premiums Outstanding	(6,132)	(3,577)
Provision for Taxation	–	1,549
Net Cash Flows from Operating Activities	12,064	17,897

31. Credit Rating

Two of the Group's subsidiaries are required to be rated. S&P Global Ratings Australia Pty Ltd has assigned Medical Insurance Society Limited and Medical Life Assurance Society Limited financial strength ratings of A (Strong).

32. Contingent Liabilities

The Group is subject to several legal disputes at 31 March 2023. The disputes are of a type common to any entity engaged in similar activities. Where such disputes lead to formal proceedings they will be defended by the Group. Provisions are not required with respect to these matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not reliably measurable. If settlement becomes probable, a provision is recognised.

33. Subsequent Events

On 1 June 2023, the Financial Markets Authority (FMA) announced it had filed High Court proceedings against MAS and its subsidiaries. The FMA claims that MAS failed to apply the correct inflation adjustments on its customer policies, failed to apply multi-policy discounts and no claims bonuses, and underpaid life and disability claims to eligible clients. MAS self reported these incidents to the FMA and is committed to remediating all affected Members. Note 15 outlines MAS' remediation provision and payments.

Independent Auditor's Report to the Shareholders of Medical Assurance Society New Zealand Limited

Building a better working world

Opinion

We have audited the financial statements of Medical Assurance Society New Zealand Limited ("the company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position of the Group as at 31 March 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

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

We provided remuneration benchmarking advice, agreed upon procedures relating to the net tangible asset return compiled by a subsidiary in accordance with the requirements of the Standard Conditions for Managed Investment Services, and regulatory audit and assurance services to certain subsidiaries. We have no other relationship with, or interest in, the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

Directors' Responsibilities for the Financial Statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report to the Shareholders of Medical Assurance Society New Zealand Limited – Continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board website: https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx. This description forms part of our auditor's report.

Ernst & Young

Chartered Accountants
Wellington

28 June 2023

Five-year Summary

Statement of Comprehensive Income	2023 $000	2022 $000	2021 $000	2020 $000	2019 $000
Fire and General Insurance					
Gross Premium Revenue	124,800	102,255	89,884	86,941	79,565
Net Premium Revenue	83,193	71,321	64,433	62,225	58,246
Net Claims	(69,580)	(53,209)	(54,859)	(43,490)	(38,076)
Net Revenue from Fire and General Insurance	13,613	18,112	9,574	18,735	20,170
Life Assurance					
Premium Revenue	50,347	46,692	43,830	42,140	40,159
Net Premium Revenue	34,996	32,579	30,429	29,547	29,469
Net Claims, Surrenders and Maturities	(12,319)	(11,202)	(15,338)	(12,805)	(10,641)
Movement in Life Policy Liabilities	(805)	(717)	(1,030)	(200)	1,802
Net Revenue from Life Assurance	21,872	20,660	14,061	16,542	20,630
Lending Revenue	77	120	432	844	1,336
Funds Management Revenue	20,371	21,560	19,052	16,768	14,672
Income from Other Services	2,574	3,118	2,293	1,848	1,840
Group Operating Expenses	(66,206)	(62,951)	(62,724)	(49,282)	(58,165)
Net (Loss) / Income from Operations	(7,699)	619	(17,312)	5,455	483
Investment and Sundry (Loss) / Income	(2,508)	4,070	32,951	1,656	16,399
Net (Loss) / Profit before Tax	(10,207)	4,689	15,639	7,111	16,882
Tax Credit / (Expense)	–	–	757	5,361	(2,153)
Net (Loss) / Profit after Tax	(10,207)	4,689	16,396	12,472	14,729

Statement of Financial Position	2023 $000	2022 $000	2021 $000	2020 $000	2019 $000
Total Assets	522,443	436,483	414,642	362,576	342,751
Total Liabilities	297,109	200,942	184,608	148,366	140,860
Total Equity	225,334	235,541	230,034	214,210	201,891

Other Information	2023	2022	2021	2020	2019
Fire and General Claims as a percentage of Net Premium Revenue	83.6%	74.6%	85.1%	69.9%	65.4%
Operating Expenses as a percentage of Total Income	34.3%	36.1%	33.8%	33.4%	37.9%
Equity as a percentage of Total Income	116.7%	134.9%	123.9%	145.2%	131.7%
Number of Members	46,313	44,139	40,495	37,165	33,546

Statutory Information

Directors' Interests

The Director fee pool of $780,000 was approved at the annual meeting on 31 August 2022. Directors' remuneration paid by the Parent Company, or due and payable, is as follows:

	Board Fee	Committee Fee	Director Fee
HE Aish	94,523	11,000	105,523
BC Sutton	102,116	14,973	117,089
LR Knowles	65,000	15,158	80,158
SM Wolton	65,000	17,527	82,527
KA Baddock	65,000	17,500	82,500
DJ Hill	69,549	9,500	79,049
FA Frizelle	65,000	8,342	73,342
SC Merchant	65,000	7,658	72,658
BG O'Donovan	65,000	18,342	83,342
Total	**656,188**	**120,000**	**776,188**

Statistical Information – Continued

Employee Remuneration

The table below sets out the number of employees or former employees of MAS who received remuneration exceeding $100,000 for the years ended 31 March 2023 and 31 March 2022.

Remuneration includes base salary payments, performance payments and redundancy or other termination payments. The table does not include contributions of 3% of gross earnings for those individuals who are members of a KiwiSaver scheme.

	Number of employees	
	2023	2022
100,000–110,000	28	24
110,000–120,000	15	14
120,000–130,000	21	23
130,000–140,000	18	18
140,000–150,000	9	6
150,000–160,000	7	8
160,000–170,000	13	11
170,000–180,000	8	5
180,000–190,000	8	5
190,000–200,000	5	5
200,000–210,000	1	3
210,000–220,000	6	2
220,000–230,000	3	–
230,000–240,000	1	–
240,000–250,000	1	1
260,000–270,000	1	2
270,000–280,000	1	–
280,000–290,000	1	–
290,000–300,000	1	–
310,000–320,000	–	1
320,000–330,000	1	1
330,000–340,000	1	–
350,000–360,000	1	1
360,000–370,000	–	1
380,000–390,000	–	1
390,000–400,000	1	–
470,000–480,000	–	1
520,000–530,000	1	–
540,000–550,000	1	–
960,000–970,000	1	–
1,000,000–1,010,000	–	1

Corporate Governance Statement

Board Structure

The Board of Medical Assurance Society New Zealand Limited ("MAS") supervises the management of MAS and its subsidiary companies. The Board is comprised of the Trustees of the Medical Assurance Society Members' Trust ("the Trust"). At 31 March 2023 there were five Practitioner Trustees (who are elected by Members) and four Commercial Trustees (who are appointed by the Practitioner Trustees). Members approve the appointment of Commercial Trustees.

Our Purpose

MAS' purpose is to inspire a healthier Aotearoa New Zealand. MAS does this by operating sound and secure businesses through its group companies, which provide high quality insurance and investment products and services to MAS' Members.

Control and Financial Returns

Control of MAS group companies ultimately rests with MAS Members via their interest in voting shares held by the Trust.

MAS invests the financial returns of its businesses in two ways. One is to ensure the continued soundness of the group businesses, and to improve the insurance and investment products and services they offer for the benefit of Members. The other is to distribute to the MAS Foundation. MAS Foundation is the MAS Group's philanthropic funder. It has been established with an independent board of trustees, whose role is to fund third parties who further the Group's charitable purpose of promoting health in Aotearoa New Zealand.

Board Operations

The MAS Board approves MAS' strategic objectives, annual budgets and the overall framework within which business is conducted. It oversees the management of MAS to ensure that MAS' activities are carried out in accordance with its charitable purpose and otherwise in the best interests of Members. It also monitors the achievement of goals and plans, but delegates day-to-day management to the Chief Executive Officer. The Board approves transactions relating to any capital expenditure that exceeds delegated authorities, overall financial policy and policy on dividend payment by subsidiary companies to MAS.

The Board encourages open and frank discussion and confidentiality. It is entitled to seek independent professional advice to assist it in meeting its responsibilities and MAS pays for this advice.

A clear separation is maintained between the roles of Chair and Chief Executive Officer. The Chair's role is to manage and lead the Board effectively, and to maintain communications with the Chief Executive Officer. There are no Executive Directors.

Each trustee of the Trust is authorised and directed to act as a Director of MAS. The Trust Deed sets out policies and procedures covering the appointment and removal, proceedings, powers and duties, and remuneration and expenses of trustees.

Board Committees

The Board has established five committees. Those committees are:

- Audit and Risk
- Information and Digital Technology
- Investment
- Nominations, and
- People and Remuneration.

Committees are governed by separate charters which are available for inspection at mas.co.nz.

The Audit and Risk Committee meets to assist the Board on financial matters, particularly the financial reporting processes, the system of internal control, the audit process, MAS' process for identifying and managing risk, and monitoring compliance with statutes and MAS policies. As at 31 March 2023, the Committee is comprised of Lindsay Knowles (Chair), Suzanne Wolton, Kate Baddock, Brendan O'Donovan, and Harley Aish.

The Information and Digital Technology Committee meets to oversee the successful execution of MAS' Information and Digital Technology strategy. As at 31 March 2023, the Committee is comprised of Suzanne Wolton (Chair), Steve Merchant, Doug Hill, Lindsay Knowles, and Mike Clarke, an appointed technologist who is external to MAS Board and management.

The Investment Committee meets to review investment strategies and policies to ensure that assets are well managed within appropriate risk boundaries and portfolios meet the performance objectives of MAS and MAS' Members. As at 31 March 2023 the Committee is comprised of Brendan O'Donovan (Chair), Kate Baddock, Frank Frizelle, Brett Sutton, and Suzanne Wolton.

The Nominations Committee meets to manage the appointment process for MAS Group trustees and directors and make recommendations to the MAS Board accordingly. As at 31 March 2023, the Committee is comprised of Doug Hill (Chair), Frank Frizelle, and Brendan O'Donovan.

The People and Remuneration Committee meets to assist the Board in the appropriate governance of all matters related to people and remuneration strategies. As at 31 March 2023, the Committee is comprised of Harley Aish (Chair), Brett Sutton, Doug Hill, Brendan O'Donovan, and Steve Merchant.

Directory

Senior Management Team:

Andrew Steele
Chief People & Transformation Officer

Chris Sutherland
Chief General Insurance Officer

Helen McDowall
Chief Investment Products Officer

Jason McCracken
Chief Executive Officer

Matthew Judge
Chief Finance and Risk Officer

Rachael Macdonald
Chief Life Insurance Officer

Registered Office

10 Waterloo Quay
Wellington
PO Box 957
Telephone 0800 800 627

Auditor

Ernst & Young

Bankers

ANZ