# Hollard Insurance Partners Limited

**ABN 96 067 524 216**

# Annual Financial Report

**For the year ended**

## 30 June 2024

# Contents

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2024

**Directors**

The directors present their report together with the financial report of Hollard Insurance Partners Limited (the Company) for the year ended 30 June 2024 and the auditor's report thereon.

Hollard Insurance Partners Limited is incorporated in Australia.

The directors of the Company during or since the end of the financial year are:

| | |
|---|---|
| Karl Armstrong | Independent Non-executive Director |
| Kate Burleigh | Independent Non-executive Director, Appointed: 1 October 2023 |
| Richard Deutsch* | Independent Non-executive Director, Appointed: 1 July 2024 |
| Gary Dransfield | Independent Non-executive Director & Chair |
| Richard Enthoven | Non-Executive Director |
| Jane Tongs | Independent Non-executive Director, Resigned: 30 June 2024 |
| Noeline Woof | Independent Non-executive Director |

*Richard Deutsch was a Partner at Deloitte Touche Tohmatsu from February 2015 to April 2021. During this period, Deloitte Touche Tohmatsu was the Appointed External Auditor of the Company.

The other officers of the Company during or since the end of the financial year are:

| | |
|---|---|
| David Cantrick-Brooks | Company Secretary, Resigned: 23 September 2023 |
| Surangika Gunasekara | Company Secretary |
| Jenny O'Neill | Company Secretary, Resigned: 5 January 2024 |
| Tamara Vella | Company Secretary |

The above-named directors and officers held office during the whole of the financial year and since the end of the financial year except as noted above.

**Principal activities**

The principal activities of the Company during the course of the financial year were the underwriting and sale of general insurance policies and the investment of shareholder and insurance funds in liquid assets. The Company is a licenced insurer in Australia regulated by the Australian Prudential Regulation Authority (APRA).

The Company offers predominantly short tail general insurance products across Australia through direct channels. Outwards reinsurance is a key part of the Company's business strategy. Outwards reinsurance protections include proportional or quota share arrangements, catastrophe covers and other excess of loss programmes.

The Company is wholly owned by Hollard Holdings Australia Pty Ltd (incorporated in Australia (HHA)) and its ultimate parent company is IVM Intersurer B.V. (incorporated in the Netherlands).

There were no significant changes in the nature of activities of the Company during the financial year.

**Review and results of operations**

The Company underwrites general insurance personal line products, including home and motor. The Company has an exclusive 15 year strategic alliance with Commonwealth Bank of Australia (CBA) to distribute home and motor products to CBA's customers through the CBA brand.

*Strategy*

The HHA Group (the Group) is undertaking a significant strategic transformation journey, consolidating core systems onto best-in-class policy, claims, and data platforms to drive better customer outcomes and improve efficiency through process simplification and product innovation.

The Company's focus over the next few years will shift from implementing these technology platforms towards leveraging the scale and efficiency opportunities they provide and building impactful insurance innovation for its customers, partners, and communities. Externally, the impact of increasing frequency of natural perils, continued claims inflation and heightened regulatory focus will remain challenging for the Company and the wider insurance industry.

*Environmental, Social and Governance Risks*

For the Financial Year ended 30 June 2024, the Group developed a revised sustainability strategy (known as the "Shared Value Strategy & Roadmap"), through the support and guidance of its shareholders with their already well-established Yellowwood Pride Framework. This revision will supersede the "Hollard Environmental, Social and Governance (ESG) Sustainability Roadmap 2023 to 2026".

Shared Value is a way to think about how the Group can do well by doing good, how it becomes a catalyst for enduring, positive, social change whilst running a sustainable and profitable business by looking at how it make decisions and how it thinks about its role not just in the economy but the wider global community. The Group's approved Shared Value Strategy & Roadmap requires it to identify and understand sustainability risks and opportunities (including environmental, social and governance) to reduce the accessibility and affordability pressures of insurance for our most vulnerable communities.

Over the next 3 years, the Group will be focusing on:

- Ensuring the effects of climate change are routinely considered in all of its business, investment, and underwriting decisions
- Delivering product innovation to support insurance accessibility & affordability in Australia
- Incentivising and rewarding customers who take steps to mitigate the effects of climate change
- Creating employment opportunities for Australian and South African youth

In line with the Group's Shared Value Strategy & Roadmap, ESG initiatives and the inherent strategic risks and opportunities they afford are considered and controlled through multiple frameworks, policies, and processes across the business.

*Environmental Risk:* Over FY24, the Company has had representations at Insurance Council of Australia (ICA) Climate Resilience and Mitigation Committee, and Net Zero Working Group (NZWG) ensuring it continues to align its sustainability initiatives to the industry body and contributes to collaboration on climate change issues in a consistent approach. The Company plans to update its investment and capital strategy in line with the sustainability strategy and drive the development of key metrics and targets to measure success in the next financial year, in line with the ICA's Climate Change Roadmap.

The Group is taking part in The Insurance Climate Vulnerability Assessment (CVA) led by APRA on behalf of the Council of Financial Regulators (CFR) in collaboration with other insurers and with the ICA. It aims to provide insight into where and how insurance affordability may change in Australia between now and 2050, so that potential future changes in affordability due to climate change and its impact on the broader financial system can be understood with insights used to inform CFR, government agencies and communities.

Finally, the Group's addition to the Hazard Insurance Partnership between the government and industry has provided a new platform for its voice during increased focus on climate risk impacts on insurance affordability and accessibility further supporting progress towards its goal to reduce the accessibility and affordability pressures of insurance for our most vulnerable communities.

*Social Risk:* The Group is a proud signatory to the 'Yellowwoods Pride Framework' by which its shareholders seek to ensure it operates as a 'Positive Business' (seeking to do well by doing good in the world). Through this framework, the Group has developed its approved Shared Value Strategy & Roadmap which requires it to identify and understand sustainability risks and opportunities (including environmental, social and governance) to reduce the accessibility and affordability pressures of insurance for our most vulnerable communities.

The Group continues to participate in industry leading conversations on topics such as gender equality, domestic family violence and the redress of workplace sexual harassment by virtue of its founding membership in the Champions of Change Coalition (CCC) - Insurance Chapter. Through its CCC membership and ICA presence, the Group has now joined over 20 other Australian businesses and taken the pledge to Respect & Protect those impacted by domestic family violence through financial abuse. Over the next few years, the Group will review the design of its products and services and will also review training and processes in place to support front-line teams to both recognise and respond to potential situations of financial abuse.

The Group is continuing to promote social community-based initiatives as follows:

- partnering with Our Big Kitchen, a community run, non-denominational, industrial kitchen where meals are prepared for distribution to people in need across Sydney;
- partnering with the Create Foundation, who support out of home youths from birth to 21, in paid internships for first nations people in NT, QLD and SA to bridge the gap in skills and capability to support them in securing their first employment; and
- exploring Social Diversity in its Supply Chain - supporting apprenticeships across our strategic builders encouraging diversity and new skills into the industry, with focus on females, first nations people, and other underrepresented people.

The Company has also joined with the ICA board and endorsed the ICA Talent Roadmap in June 2024. The key objective of this work is prioritising and actively focusing on talent and fostering diversity, equity, and inclusion within the General Insurance Industry in Australia to create an environment where people from diverse backgrounds are attracted and feel valued, respected, and included. The Company will focus its efforts on where we can have the greatest impact.

The Company has driven industry leading policies and practices to support gender diversity and is now reviewing its future Diversity, Equity & Inclusion (DEI) strategy to develop and embed its aspirations in support of equal opportunities for First Nations Peoples. The Company makes available a free and confidential Employee Assistance Provider (EAP) to all staff and customers (as well as close family members of staff and customers).

*Governance Risk:* The Company builds trust and transparency through a clear and robust governance structure. Governance at the Company speaks to its internal policies and procedures created to make effective decisions. Governance risks, including management structure, Board diversity, employee relations, conflicts of interest, whistleblower, data security, and tax compliance are controlled by various Board-approved committee and management policies and related frameworks and response plans. The Board of the Company monitors its corporate strategic initiatives including its Shared Value Strategy & Roadmap developed by executive management and any material changes to business activities outside of business plans and budgets including proposals to enter into new markets and new strategic opportunities.

Work continues as part of the upcoming requirements of APRA Prudential Standard for Remuneration (CPS 511 and FAR) to ensure fair, transparent and fit for purpose remuneration practices.

Annual employee compliance training is undertaken to ensure a comprehensive understanding of the Company's core policies, procedures and processes.

*Recognition*

During the year, the Group was again recognised as a finalist for ANZIIF's 2023 Excellence in Workplace Diversity and Inclusion for the third year in a row. It was also recognised by the *Australian Fathering Awards and won Australia's Best Workplace for Fathers 2023*.

*Financial Performance*

The Company's operating result for the year was $993 million on insurance revenue (2023: $913 million), and a net loss after tax of $30 million (2023: loss of $40 million after tax).

The Company's Statement of financial position reflects the financial strength of the business with total assets of $832 million (2023: $907 million) exceeding liabilities by $304 million (2023: $334 million).

Financial performance during the year reflects:

- Gross written premium (GWP), recognised in insurance revenue, increased by 8% for the year to $999 million (2023: $926 million);
- Improvements in underlying loss ratios, driven by prior year releases and offset by higher average claim size;
- Increase in reinsurance premiums to $426 million (2023: $129 million) as a result of entering into the Whole of Account Quota Share placements and Excess of Loss reinsurance placed with The Hollard Insurance Company Pty Ltd; and
- Increase in investment income from $18 million to $31 million due to improved yields on the term deposits.

*Capital*

The Company's capital management strategy is founded on ensuring that there are sufficient capital resources (both economic and regulatory) to maintain and grow business in accordance with risk appetite. The Company's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Company is sufficiently capitalised to meet future requirements.

The Company's regulatory capital base at 30 June 2024 comprised Common Equity Tier 1 (CET1) of $272m with the regulatory Capital Adequacy Multiple (CAM) of 2.29 at the close of the financial year.

*Investment Activities*

The Company has continued to adopt a conservative investment strategy throughout the year with predominate exposure to cash, through operating holdings, term or notice deposits. A newly implemented Strategic Asset Allocation, enabled exposure to fixed interest (Government & Corporate bonds), managed by a specialised external fixed interest asset manager and held with an independent custodian.

The investment objectives remain focused on investment grade investments, high liquidity to support insurance activities and appropriate yield to meet the benchmark range of a rolling 5-year CPI +0% to 0.5%.

*Reinsurance*

As part of its reinsurance management strategy, during the financial year the Company pro-actively worked to review and renew the components of its reinsurance programme that were expiring. At 30 June 2024, the Company successfully implemented the revised programmes. The Whole of Account Quota Share placement continued into its second year, and the combined Per Risk and Event programmes covering the Company were renewed within minimal structure changes, at generally more favourable terms than the prior year. The Company has also entered into its second year reinsurance programme with Hollard Insurance Pty Ltd.

*Regulatory*

During the financial year, the Company has systematically actioned a work plan to ensure readiness for changes to laws affecting insurers and responded to regulatory requests. These included:

Remuneration: APRA CPS 511 Remuneration commenced on 1 January 2024 to ensure remuneration elements were maintained to incentivise individuals to manage risks prudently. A project was established in mid-2023 with elements delivered in 2024 overseen by centralised project management resources.

Financial Reporting: APRA updated its prudential capital and reporting framework as a result of Australia implementing the International Financial Reporting Standard (IFRS) 17. AASB 17 Insurance Contracts (AASB 17) establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The Company has delivered a compliant solution under the new standard.

Reinsurance Management: APRA's revised Prudential Standard GPS 230 Reinsurance Management commenced for reinsurance contracts on 1 July 2023 with stricter compliance for 1 July 2024. Changes reflected the introduction of AASB 17; it requires insurers to document the analysis supporting the adequacy of the reinsurance arrangements, the rationale for any deviations from market practice, and any management actions that have been taken to mitigate any risks associated with the reinsurance arrangements.

Financial Resilience: APRA's Prudential Standard CPS 190, Recovery and Exit Planning, commenced on 1 January 2024. The objective is to ensure that all APRA-regulated entities are adequately prepared for scenarios that may impact the financial viability of their business. CPS 190 introduced requirements to develop contingency plans to respond to financial stress by either recovering their financial resilience or exiting APRA-regulated activities in an orderly manner. To comply, the Company finalised and approved an updated Recovery and Exit Plan.

Parliamentary Inquiry: The Standing Committee on Economics initiated a comprehensive Parliamentary Inquiry into the responses of insurers to the major floods of 2022. This Inquiry, involved collecting written submissions, conducting public hearings, and community outreach to understand the adequacy of insurers' responses and identify areas for improvement. The Company executives appeared before the Inquiry; and the Company provided independent submissions. The Company continues to prepare for the Committee's final recommendations by reviewing potential outcomes to enhance compliance readiness, customer service, and market position. The Company and industry have also reviewed progress against recommendations from the 2023 Deloitte report: The new benchmark for catastrophe preparedness in Australia and ASIC Report 768: Navigating the storm: ASIC's review of home insurance claims (ASIC REP 768), which have been a key focus of the Committee.

ASIC Review of Internal Dispute Resolution (IDR): In January 2024 the Company was chosen to participate in ASIC's project focusing on compliance with specific enforceable paragraphs in Regulatory Guide 271 Internal Dispute Resolution. The request was both for IDR data and internal processes and staff numbers. A report similar to ASIC REP 768: will be released in 2025 outlining how insurers are meeting their obligations and will highlight areas where improvements can be made.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2024

Code Governance Committee (CGC) Thematic Inquiry into Making Better Claims Decisions: The Company was selected as one of the six large insurers required to participate in CGC's Thematic Inquiry into Making Better Claims Decisions in November 2023. This review was to determine if insurers are sufficiently utilising complaints outcomes of overturned claim decline decisions. CGC expects insurers to identify insights from complaints data to improve business processes, practices and products to enhance compliance with the General Insurance Code of Practice. CGC's report of the Thematic Inquiry was released in July 2024, containing aggregated findings and recommendations for the industry.

**Significant changes in the State of Affairs**

The continued economic pressure and impact of higher average claims size have had a range of impacts on the Company's business and financial performance during the year.

**Dividends**

No dividends have been paid for the year ended 30 June 2024.

**Environmental reporting**

The Company's operations are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

**Events Subsequent to Balance Date**

On 2nd September 2024, the Company declared and paid a fully franked dividend of $40m.

No other matters or circumstances have arisen since 30 June 2024 that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs for the Company.

**Likely Developments**

Information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

**Corporate Address**

The registered address and principal place of business of the Company is:

Level 5
100 Mount Street
North Sydney NSW 2060 Australia
Tel: (02) 9253 6600
Fax: (02) 9253 6699
www.hollard.com.au

**Auditor's Independence**

The auditor's independence declaration is set out on page 8 and forms part of the directors' report for the year ended 30 June 2024.

# Directors' Report
FOR THE YEAR ENDED 30 JUNE 2024

**Indemnification of officers and auditors**

During the financial year the Company paid an insurance premium in respect of a contract insuring the directors and other officers of the Company and all executive officers of the Company and of any related body corporate against a liability insured as such a director, officer or executive officer to the extent permitted by the Corporations Act 2001. Such insurance relates to any costs, including legal expenses incurred by directors or officers of the Company and of any related body corporate, in defending proceedings, whether civil or criminal, and other liabilities that may arise from their positions, with the exception of conduct involving any deliberately dishonest or fraudulent act or omission, a wilful breach of duty or improper use of information or position to gain a personal advantage, or any conduct of or contravention to which a prohibition in section 199B of the Corporations Act applies. The directors have not included details of the amount of the premiums paid in respect of the directors' and officers' liability insurance, or details of the premium paid in respect of former directors or individual officers of the Company, as such disclosure is prohibited under the terms of the contract.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

**Rounding off**

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

Gary Dransfield
Independent Non-executive Director & Chair

Richard Enthoven
Non-Executive Director

Dated at Sydney 23 September 2024

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Quay Quarter Tower
50 Bridge Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

23 September 2024

The Board of Directors
The Hollard Insurance Company Pty Ltd
Level 5, 100 Mount Street
North Sydney, NSW, 2060

Dear Directors

**Auditor's Independence Declaration to The Hollard Insurance Company Pty Ltd**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of The Hollard Insurance Company Pty Ltd.

As lead audit partner for the audit of the financial report of The Hollard Insurance Company Pty Ltd for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stuart, Alexander
Partner
Chartered Accountants

# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2024

| | Notes | 2024 $000 | Restated 2023 $000 |
|---|---|---|---|
| Insurance revenue | 2.1 | 993,445 | 912,810 |
| Insurance service expense | 2.1 | (852,788) | (885,922) |
| **Insurance service result before reinsurance contracts held** | | **140,657** | **26,888** |
| Allocation of reinsurance premiums | 2.2 | (425,822) | (129,147) |
| Amounts recoverable from reinsurers | 2.2 | 252,624 | 96,826 |
| **Net expense from reinsurance contracts held** | | **(173,198)** | **(32,321)** |
| **Insurance service result** | | **(32,541)** | **(5,433)** |
| **Investment income** | **3.1** | **30,935** | **18,220** |
| Insurance finance expenses from insurance contracts issued | 2.1, 2.3 | (7,867) | (4,319) |
| Reinsurance finance income from reinsurance contracts held | 2.2, 2.3 | 292 | 1,750 |
| **Net insurance finance result** | | **(7,575)** | **(2,569)** |
| **Net insurance and investment result** | | **(9,181)** | **10,218** |
| Other expenses | 7.1 | (33,728) | (67,156) |
| Finance costs | | (268) | (35) |
| **Loss before income tax** | | **(43,177)** | **(56,973)** |
| Income tax benefit | 6.1 | 12,923 | 17,075 |
| **Loss after income tax** | | **(30,254)** | **(39,898)** |
| **Other comprehensive income** | | | |
| **Other comprehensive income/(loss), after income tax** | | - | - |
| **Total comprehensive loss for the year, net of tax** | | **(30,254)** | **(39,898)** |

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

The Company has adopted AASB 17 *Insurance Contracts* and AASB 9 *Financial Instruments* from 1 July 2023 and has correspondingly restated the comparative period. The impacts of adoption of AASB 17 and AASB 9 are detailed in Note 1.5.

# Statement of Financial Position

AS AT 30 JUNE 2024

| | Notes | 2024 $000 | Restated 2023 $000 | Restated 1 July 2022 $000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | 3.2 | 110,122 | 122,846 | 80,654 |
| Financial assets | 3.3 | 482,526 | 600,161 | 510,277 |
| Other receivables | 7.3 | 13,616 | 20,095 | 6,855 |
| Reinsurance contract assets | 2.2 | 212,911 | 153,320 | 307,655 |
| Prepayments | | 278 | 488 | 630 |
| Property, plant and equipment | | - | 214 | - |
| Right-of-use assets | | 308 | 451 | - |
| Deferred tax assets | 6.2 | 11,907 | 9,493 | 5,827 |
| **Total assets** | | **831,668** | **907,068** | **911,898** |
| **LIABILITIES** | | | | |
| Other payables | 7.4 | 33,395 | 6,745 | 3,846 |
| Insurance contract liabilities | 2.1 | 492,172 | 555,735 | 625,750 |
| Provisions | | 2,230 | 10,321 | 8,594 |
| Lease liabilities | | 315 | 457 | - |
| **Total liabilities** | | **528,112** | **573,258** | **638,190** |
| **Net assets** | | **303,556** | **333,810** | **273,708** |
| **EQUITY** | | | | |
| Contributed equity | 4.1 | 253,100 | 253,100 | 153,100 |
| Retained earnings | | 50,456 | 80,710 | 120,608 |
| **Total equity** | | **303,556** | **333,810** | **273,708** |

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

The Company has adopted AASB 17 *Insurance Contracts* and AASB 9 *Financial Instruments* from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption of AASB 17 and AASB 9 are detailed in Note 1.5.

# Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2024

| 2024 | Attributable to the shareholder | | |
|---|---|---|---|
| | **Contributed equity** | **Retained earnings** | **Total equity** |
| | **$000** | **$000** | **$000** |
| **Restated balance as at 30 June 2023** | 253,100 | 80,710 | 333,810 |
| Loss for the period | - | (30,254) | (30,254) |
| **At 30 June 2024** | **253,100** | **50,456** | **303,556** |

| 2023 | Attributable to the shareholder | | |
|---|---|---|---|
| | **Contributed equity** | **Retained earnings** | **Total equity** |
| | **$000** | **$000** | **$000** |
| **As at 1 July 2022, as previously reported** | **153,100** | **105,658** | **258,758** |
| Impact of initial application of AASB 17, net of tax | - | 14,950 | 14,950 |
| Impact of initial application of AASB 9, net of tax | - | - | - |
| **Restated balance as at 1 July 2022** | 153,100 | 120,608 | 273,708 |
| Loss for the period (restated) | - | (39,898) | (39,898) |
| **Total comprehensive loss after tax (restated)** | **-** | **(39,898)** | **(39,898)** |
| *Transactions with owners in their capacity as owners:* | | | |
| Issue of shares | 100,000 | - | 100,000 |
| **Restated balance at 30 June 2023** | **253,100** | **80,710** | **333,810** |

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

The Company has adopted AASB 17 *Insurance Contracts* and AASB 9 *Financial Instruments* from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption of AASB 17 and AASB 9 are detailed in Note 1.5.

# Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2024

| | Notes | 2024 $000 | Restated 2023 $000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Premiums received | 2.1 | 990,121 | 914,899 |
| Reinsurance held recoveries received | 2.2 | 164,657 | 254,806 |
| Reinsurance held premiums paid | 2.2 | (397,154) | (131,042) |
| Claims and other expenses paid | 2.1 | (851,611) | (924,085) |
| Acquisition costs paid | 2.1 | (69,283) | (38,085) |
| Other operating receipts/ (payments) | | 2,485 | (79,622) |
| Income tax paid | | - | 17,749 |
| Interest paid - lease liabilities | | (23) | (30) |
| **Net cash flows (used in)/ from operating activities** | **8.1a)** | **(160,808)** | **14,590** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Net proceeds from term deposits and bonds | | 119,738 | (90,178) |
| Net proceeds from property, plant and equipment | | 185 | (292) |
| Interest received | | 28,832 | 18,529 |
| **Net cash flows from/(used in) investing activities** | | **148,755** | **(71,941)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of shares | | - | 100,000 |
| Finance costs paid | | (245) | - |
| Payment of lease liabilities | | (426) | (457) |
| **Net cash flows (used in)/ from financing activities** | | **(671)** | **99,543** |
| Net (decrease)/increase in cash held | | (12,724) | 42,192 |
| Cash and cash equivalents at 1 July | | 122,846 | 80,654 |
| **Cash and cash equivalents at the end of the financial year** | **3.2** | **110,122** | **122,846** |

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

The Company has adopted AASB 17 *Insurance Contracts* and AASB 9 *Financial Instruments* from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption of AASB 17 and AASB 9 are detailed in Note 1.5.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

## 1. Overview

### 1.1. About Hollard Insurance Partners Limited

Hollard Insurance Partners Limited (the Company) is a for-profit company domiciled in Australia.

The principal activity of the Company during the course of the financial year was the underwriting and sale of general insurance policies and the investment of shareholders' and insurance funds. Underwriting of general insurance policies occurs in Australia.

There were no significant changes in the nature of activities of the Company during the year.

Hollard Holdings Australia Pty Ltd is the immediate parent entity of the Company and ultimate parent company is IVM Intersurer B.V. (incorporated in the Netherlands).

### 1.2. About these Financial Statements

The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and associated notes to the financial statements. Disclosures have been grouped into the following categories in order to assist users in their understanding of the financial statements:

1. **Overview** contains information that impacts the financial statements as a whole.
2. **Insurance activities** brings together results and statement of financial position disclosures relevant to the Company’s insurance activities.
3. **Investment activities** includes results and statement of financial position disclosures relevant to the Company’s investments.
4. **Capital structure** provides information about the debt and equity components as well as the capital management practices of the Company.
5. **Risk management** provides commentary on the Company’s exposure to various risks, explaining the potential impact on the results and statement of financial position and how the Company manages these risks.
6. **Tax** includes disclosures relating to the Company’s income tax balances.
7. **Other** includes statement of comprehensive income items such as expenses and statement of financial position items such as other receivable and provisions.
8. **Additional disclosures** includes disclosures required to comply with Australian Accounting Standards.
9. **Events subsequent to balance date** includes report on events subsequent to balance date.

Where applicable within each note to the financial statements, disclosures are further analysed as follows:

- Overview provides some context to assist users in understanding the disclosures.
- Disclosures (both numbers and commentary) provides analysis of balances as required by Australian Accounting Standards.
- Recognition and measurement summarises the accounting policies relevant to an understanding of the numbers.
- Critical accounting judgements and estimates applied in determining the financial information, including sensitivity analysis where applicable.

Comparative information has been restated to align with changes in presentations made in the current year, where applicable.

### 1.3. Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) and Interpretations adopted by the Australian Accounting Standards Board (AASB), the Corporations Act 2001 and comply with other requirements of law. Compliance with AASB ensures that the financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board. The financial statements were authorised for issue by the directors on 23 September 2024.

### 1.4. Basis of preparation

The financial report for the year ended 30 June 2024 has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

For the year ended 30 June 2024, the Company recorded a net loss after tax of $30 million (2023: net loss $40 million) and had net assets of $304 million (2023: $334 million). The Company had available $593 million (2023: $723 million) of cash and other assets to meet day to day obligations as they fall due. The Company's regulatory capital base at 30 June 2024 comprised CET1 of $272 million (2023: $278 million) with the regulatory capital adequacy multiple at close of financial year of 2.29 (2023: 1.79).

The financial statements are prepared on the basis of historical costs except for financial assets that are stated at their fair value through profit or loss and insurance contract liabilities and reinsurance contract assets that are discounted to present value.

The statement of financial position is prepared with the assets and liabilities presented broadly in order of liquidity. The assets and liabilities comprise both current amounts (expected to be recovered or settled within 12 months after the reporting date) and non-current amounts (expected to be recovered or settled more than 12 months after the reporting date).

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and financial statements have been rounded off to the nearest one thousand dollars unless otherwise stated.

The financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company.

### 1.5. New and amended standards and interpretations

In these financial statements, the Company has applied AASB 17 *Insurance Contracts* (AASB 17) and *AASB 9 Financial Instruments* (AASB 9) for the first time. The Company has early adopted AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction. No other interpretation or amendment that has been issued but is not yet effective has been adopted by the Company. Refer to Note 8.6 for further information.

**AASB 17 transitional impacts**

The new accounting standard for AASB 17 which replaces AASB 4 *Insurance Contracts* and AASB 1023 *General Insurance Contracts* (AASB 1023) was adopted by the Australian Accounting Standards Board in July 2017 and became effective for annual periods beginning on or after 1 January 2023. The objective of AASB 17 is to establish globally consistent principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued and reinsurance contracts held. Whilst the new standard does not change the underlying economics or cashflows of the Company's insurance contracts it issues and reinsurance contracts it holds, it is expected to have impacts on the timing of emergence of profits.

The Company was required to first apply AASB 17 on 1 July 2023 (with a transition date of 1 July 2022). This set of financial statements has been prepared in compliance with the new accounting standard. The Company has applied the full retrospective approach and has restated the comparative period.

The adoption of AASB 17 did not change the classification of the Company's insurance contracts. However, AASB 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under AASB 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the simplified approach, the premium allocation approach, which simplifies the measurement of insurance contracts in comparison with the general model.

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

- Measurement of the liability for incurred claims, previously claims outstanding and incurred-but-not reported (IBNR) claims, continues to be determined on a discounted probability-weighted expected value basis. The liability for incurred claims includes an explicit risk adjustment for non-financial risk to reflect the compensation for bearing uncertainties about the amount and timing of cash flows. This is conceptually different to the AASB 1023 risk margin which reflected the inherent uncertainty in the central estimate of the present value of the expected future payments.
- The liability for remaining coverage, akin to unearned premium liabilities less deferred acquisition costs, reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage involves recognition of a loss component when a group of contracts is onerous. Previously these may have formed part of the unexpired risk reserve provision after the deduction of any related deferred acquisition costs (Liability Adequacy Test (LAT) deficiency, which in comparison was recognised at a more aggregate level. The measurement of the loss component involves an explicit evaluation of risk adjustment for non-financial risk and includes an adjustment for the time value of money.
- Measurement of the asset for incurred claims continues to reflect the expected recovery of claims where contracts reinsure the underlying direct contracts.

- Measurement of the asset for remaining coverage, reflecting reinsurance premiums paid for reinsurance held, is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The adoption of AASB 17 has resulted in reclassification of amounts in the Statement of Comprehensive Income and Statement of Financial Position, and an increase in net assets as at 1 July 2022 of $15m. This amount was recognised as an adjustment to the opening balance of retained earnings as shown in the Statement of Changes in Equity. The opening net asset impact reflects the reversal of risk margin and application of the AASB 17 risk adjustment of $15m, reversal of LAT deficit of $12m, write off of acquisition costs of ($6m) and deferred tax impact of ($6m).

**AASB 9 transitional impacts**

AASB 9 became effective for periods beginning on or after 1 July 2018, replacing the existing accounting standard for financial instruments under AASB 139 *Financial Instruments: Recognition and Measurement*. The Company elected, under the amendments to AASB 4 *Insurance Contracts*, to apply the temporary exemption from AASB 9, thereby deferring the initial application date of AASB 9 to align with the initial application of AASB 17.

AASB 9 introduces a principles-based approach to the classification and measurement of financial instruments, replaced the 'incurred loss' impairment model with a new 'expected loss' model when recognising expected credit losses on financial assets.

| Asset/ liability | Measurement basis under AASB 139 | Measurement basis under AASB 9 | Carrying amount under AASB 9 and AASB 139 at 1 July 2023 ($000) |
|---|---|---|---|
| Interest-bearing investments* | Fair value through profit or loss | Fair value through profit or loss | 600,161 |
| Other receivables | Amortised cost | Amortised cost | 20,095 |
| Other payables | Amortised cost | Amortised cost | 6,745 |

* To significantly reduce any accounting mismatch with movements in insurance liabilities from changes in interest rate, the Company adopted the option available under AASB 9 to designate Interest-bearing investments to be measured at fair value through profit or loss.

### 1.6. Critical accounting judgements and estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation uncertainty applied in the process of the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

| Critical accounting judgements and estimates | Notes |
|---|---|
| Valuation of insurance contracts issued and reinsurance contracts held | 2.4 |
| Valuation of loss components and recovery on loss components | 2.4 |
| Recognised deferred income tax balances | 6.2 |

## 2. Insurance activities

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified future event (the insured event) adversely affects the policyholder or other beneficiary, are classified as insurance contracts.

Insurance contract liabilities represent the rights and obligations arising from insurance and reinsurance contracts issued, and comprise of the liability for remaining coverage and the liability for incurred claims.

Reinsurance contract assets represent the rights and obligations arising from reinsurance contracts held, and comprise of the assets for remaining coverage and the assets for incurred claims.

**Initial recognition**

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

- the beginning of the coverage period for the group of contracts;
- the date when the first payment from a policyholder in the group of contracts is due; or
- for a group of onerous contracts, if facts and circumstances indicate that the group of contracts is onerous.

The Company recognises groups of reinsurance contracts held it has entered into from:

- Proportionate reinsurance contracts held - the later of the beginning of the coverage period of the reinsurance contracts or the underlying insurance contracts; or
- Non-proportionate reinsurance contracts held - the earlier of the beginning of the coverage period of the reinsurance contracts held or the period in which the underlying insurance contracts becomes onerous.

**Level of aggregation**

AASB 17 requires a company to determine the level of aggregation for applying its requirements. The Company previously applied aggregation levels under AASB 1023, which were similar to the level of aggregation required by AASB 17. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios.

Portfolios comprise groups of contracts with similar risks which are managed together. The portfolios are further divided by year or issue and profitability for recognition and measurement purposes. Hence within each year of issue, portfolios are divided into three groups, as follows:

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

The Company divides portfolio of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition.

**Contract boundary**

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when the Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer has the practical ability to reassess the risk transferred to it and can set a price or level of benefits that fully reflect those reassessed risks; or has a substantive right to terminate the coverage.

**Insurance and reinsurance contract assets and liabilities**

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

*Asset and liability for remaining coverage - excluding loss components*

The premium allocation approach simplifies the measurement of insurance contracts in comparison with the general model in AASB 17.

The Company applies the premium allocation approach to all insurance contracts that it issues and reinsurance contracts that it holds on the following bases:

- The coverage period of each contract in the group is one year or less; or
- For contracts with a coverage period of more than one year, the Company reasonably expects that the measurement of the liability for remaining coverage will not differ materially from the measurement of the liability for remaining coverage applying the general model.

For groups of contracts that are not onerous at initial recognition, the Company measures the liability for remaining coverage as premiums received at initial recognition minus any insurance acquisition cash flows at that date. The Company capitalises insurance acquisition cash flows and allocates to groups of insurance contracts issued using a systematic and rational basis. There is no allowance for time value of money as the Company’s insurance contracts and reinsurance contracts held do not contain a significant financing component and the majority of contracts issued by the Company have a coverage period of 12 months or have premiums paid at the inception of the contract, hence the discounting effect on future premium receipts is immaterial and has not been recognised.

Subsequently, the Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period plus premiums received in the period, minus insurance acquisition cash flows and minus the amount recognised as insurance revenue for the services provided in the period.

*Asset and liability for remaining coverage - loss components*

Where, on initial recognition or during the coverage period, facts and the circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in Statement of Comprehensive Income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. The fulfilment cash flows comprise an estimate of future cash flows, an adjustment to reflect the time value of money and a risk adjustment for non-financial risk. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

If a group of underlying insurance contracts is onerous, then the Company increases the asset for remaining coverage by the amount the Company expects to recover from the group of reinsurance contracts held. The loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

*Asset and liability for incurred claims*

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for the time value of money and for non-financial risk (the risk adjustment). Refer to Note 2.4 for further information on the actuarial methods and assumptions.

The asset for incurred claims includes the effect of non-performance risk of the reinsurer, which considers the reinsurer’s credit rating. As the Company holds reinsurance contracts with reinsurers with A- or higher rating, the allowance for non-performance risk is immaterial and has not been recognised.

**Derecognition and modification**

The Company derecognises insurance contracts when the rights and obligations relating to the contracts are extinguished (i.e. discharged, cancelled or expired).

The Company also recognises a contract if the contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

# Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2024

### 2.1. Insurance Contract Liabilities

| 30 June 2024 | Liability/ (Asset) For Remaining Coverage | | Liability/ (Asset) For Incurred Claims | | |
|---|---|---|---|---|---|
| | Excluding Loss Component $000 | Loss Component $000 | Estimates of the Present Future Cash Flows $000 | Risk Adjustment $000 | Total $000 |
| Insurance contract liabilities | 52,435 | - | 487,661 | 15,639 | **555,735** |
| Insurance contract assets | - | - | - | - | **-** |
| **Net insurance contract liabilities at 1 July 2023** | **52,435** | **-** | **487,661** | **15,639** | **555,735** |
| Insurance revenue | (993,445) | - | - | - | **(993,445)** |
| **Insurance service expense** | | | | | |
| Incurred claims and other attributable expenses | - | - | 784,413 | 11,644 | **796,057** |
| Amortisation of insurance acquisition cash flows | 71,960 | - | - | - | **71,960** |
| Changes that relate to past service – prior accident years | - | - | (4,730) | (11,269) | **(15,999)** |
| Losses on onerous contracts and reversal of those losses | - | 770 | - | - | **770** |
| **Total insurance service expense** | **71,960** | **770** | **779,683** | **375** | **852,788** |
| **Insurance service result** | **(921,485)** | **770** | **779,683** | **375** | **(140,657)** |
| Insurance finance expenses from insurance contracts issued | - | - | 7,867 | - | **7,867** |
| **Total changes in statement of comprehensive income** | **(921,485)** | **770** | **787,550** | **375** | **(132,790)** |
| **Cash flows** | | | | | |
| Premium received | 990,121 | - | - | - | **990,121** |
| Acquisition costs paid | (69,283) | - | - | - | **(69,283)** |
| Claims and expenses paid | - | - | (851,611) | - | **(851,611)** |
| **Total cashflows** | **920,838** | **-** | **(851,611)** | **-** | **69,227** |
| **Net insurance contract liabilities at 30 June 2024** | **51,788** | **770** | **423,600** | **16,014** | **492,172** |
| Insurance contract liabilities | 51,788 | 770 | 423,600 | 16,014 | **492,172** |
| Insurance contract asset | - | - | - | - | **-** |
| **Net insurance contract liabilities at 30 June 2024** | **51,788** | **770** | **423,600** | **16,014** | **492,172** |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

| 30 June 2023 | Liability/ (Asset) For Remaining Coverage | | Liability/ (Asset) For Incurred Claims | | |
|---|---|---|---|---|---|
| | Excluding Loss Component $000 | Loss Component $000 | Estimates of the Present Future Cash Flows $000 | Risk Adjustment $000 | Total $000 |
| Insurance contract liabilities | 20,378 | - | 588,542 | 16,830 | **625,750** |
| Insurance contract assets | - | - | - | - | **-** |
| **Net insurance contract liabilities at 1 July 2022** | **20,378** | **-** | **588,542** | **16,830** | **625,750** |
| Insurance revenue | (912,810) | - | - | - | **(912,810)** |
| **Insurance service expense** | | | | | |
| Incurred claims and other attributable expenses | - | - | 709,540 | 9,317 | **718,857** |
| Amortisation of insurance acquisition cash flows | 68,053 | - | - | - | **68,053** |
| Changes that relate to past service – prior accident years | - | - | 109,345 | (10,508) | **98,837** |
| Losses on onerous contracts and reversal of those losses | - | - | - | - | **-** |
| **Total insurance service expense*** | **68,053** | **-** | **818,885** | **(1,191)** | **885,747** |
| **Insurance service result** | **(844,757)** | **-** | **818,885** | **(1,191)** | **(27,063)** |
| Insurance finance expenses from insurance contracts issued | - | - | 4,319 | - | **4,319** |
| **Total changes in statement of comprehensive income** | **(844,757)** | **-** | **823,204** | **(1,191)** | **(22,744)** |
| **Cash flows** | | | | | |
| Premium received | 914,899 | - | - | - | **914,899** |
| Acquisition costs paid | (38,085) | - | - | - | **(38,085)** |
| Claims and expenses paid | - | - | (924,085) | - | **(924,085)** |
| **Total cashflows** | **876,814** | **-** | **(924,085)** | **-** | **(47,271)** |
| **Net insurance contract liabilities at 30 June 2023** | **52,435** | **-** | **487,661** | **15,639** | **555,735** |
| Insurance contract liabilities | 52,435 | - | 487,661 | 15,639 | **555,735** |
| Insurance contract asset | - | - | - | - | **-** |
| **Net insurance contract liabilities at 30 June 2023** | **52,435** | **-** | **487,661** | **15,639** | **555,735** |

*Excludes $0.18 million of insurance service expense which represent movements in assets and liabilities that do not form part of insurance contract liabilities on the statement of financial position.

### Recognition and Measurement

*Insurance revenue*

Insurance revenue is an allocation of total expected premium to each period of coverage on the basis of the passage of time.

*Insurance service expense*

Insurance service expense arising from insurance contracts are recognised in the Statement of Comprehensive Income generally as they are incurred and comprises of the following:

- Incurred claims and other insurance service expenses
- Amortisation of insurance acquisition cash flows - the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts
- Losses on onerous contracts and reversals of such losses
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

### 2.2. Reinsurance Contract Assets

| 30 June 2024 | Asset/ (Liability) For Remaining Coverage | | Asset/(Liability) For Incurred Claims | | |
|---|---|---|---|---|---|
| | Excluding Loss Recovery Component $000 | Loss Recovery Component $000 | Estimates of the Present Future Cash Flows $000 | Risk Adjustment $000 | Total $000 |
| Reinsurance contract assets | - | - | 159,942 | 3,562 | **163,504** |
| Reinsurance contract liabilities | (10,184) | - | - | - | **(10,184)** |
| **Net reinsurance contract (liabilities)/assets at 1 July 2023** | **(10,184)** | **-** | **159,942** | **3,562** | **153,320** |
| Allocation of reinsurance premiums | (425,822) | - | - | - | **(425,822)** |
| **Amounts recoverable from reinsurers** | | | | | |
| Recovery of incurred claims and other expenses | - | - | 238,683 | 4,719 | **243,402** |
| Changes that relate to past service – prior accident years | - | - | 11,692 | (2,662) | **9,030** |
| Loss recovery on onerous underlying contracts and adjustments | - | 192 | - | - | **192** |
| **Total amounts recoverable from reinsurers** | **-** | **192** | **250,375** | **2,057** | **252,624** |
| **Net income or expense from reinsurance contracts held** | **(425,822)** | **192** | **250,375** | **2,057** | **(173,198)** |
| Reinsurance finance income from reinsurance contracts held | - | - | 292 | - | **292** |
| **Total changes in statement of comprehensive income** | **(425,822)** | **192** | **250,667** | **2,057** | **(172,906)** |
| **Cash flows** | | | | | |
| Reinsurance premiums paid | 397,154 | - | - | - | **397,154** |
| Reinsurance recoveries received | - | - | (164,657) | - | **(164,657)** |
| **Total cashflows** | **397,154** | **-** | **(164,657)** | **-** | **232,497** |
| **Net reinsurance contract (liabilities)/assets at 30 June 2024** | **(38,852)** | **192** | **245,952** | **5,619** | **212,911** |
| Reinsurance contract asset | - | - | 245,952 | 5,619 | **251,571** |
| Reinsurance contract liabilities | (38,852) | 192 | - | - | **(38,660)** |
| **Net reinsurance contract (liabilities)/assets at 30 June 2024** | **(38,852)** | **192** | **245,952** | **5,619** | **212,911** |

| 30 June 2023 | Asset/ (Liability) For Remaining Coverage | | Asset/(Liability) For Incurred Claims | | |
|---|---|---|---|---|---|
| | Excluding Loss Recovery Component $000 | Loss Recovery Component $000 | Estimates of the Present Future Cash Flows $000 | Risk Adjustment $000 | Total $000 |
| Reinsurance contract assets | - | - | 312,212 | 7,522 | **319,734** |
| Reinsurance contract liabilities | (12,079) | - | - | - | **(12,079)** |
| **Net reinsurance contract (liabilities)/assets at 1 July 2022** | **(12,079)** | **-** | **312,212** | **7,522** | **307,655** |
| Allocation of reinsurance premiums | (129,147) | - | - | - | **(129,147)** |
| **Amounts recoverable from reinsurers** | | | | | |
| Recovery of incurred claims and other expenses | - | - | 6,062 | 854 | **6,916** |
| Changes that relate to past service – prior accident years | - | - | 94,723 | (4,813) | **89,910** |
| Loss recovery on onerous underlying contracts and adjustments | - | - | - | - | **-** |
| **Total amounts recoverable from reinsurers** | **-** | **-** | **100,785** | **(3,959)** | **96,826** |
| **Net income or expense from reinsurance contracts held** | **(129,147)** | **-** | **100,785** | **(3,959)** | **(32,321)** |
| Reinsurance finance income from reinsurance contracts held | - | - | 1,750 | - | **1,750** |
| **Total changes in statement of comprehensive income** | **(129,147)** | **-** | **102,535** | **(3,959)** | **(30,571)** |
| **Cash flows** | | | | | |
| Reinsurance premiums paid | 131,042 | - | - | - | **131,042** |
| Reinsurance recoveries received | - | - | (254,806) | - | **(254,806)** |
| **Total cashflows** | **131,042** | **-** | **(254,806)** | **-** | **(123,764)** |
| **Net reinsurance contract (liabilities)/assets at 30 June 2023** | **(10,184)** | **-** | **159,941** | **3,563** | **153,320** |
| Reinsurance contract asset | - | - | 159,941 | 3,563 | **163,504** |
| Reinsurance contract liabilities | (10,184) | - | - | - | **(10,184)** |
| **Net reinsurance contract (liabilities)/assets at 30 June 2023** | **(10,184)** | **-** | **159,941** | **3,563** | **153,320** |

**Recognition and Measurement**

*Net expenses from reinsurance contracts*

The Company presents separately on the face of the Statement of Comprehensive Income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

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

The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the ceding premiums the Company expects to pay in exchange for those services. Reinsurance expenses are recognised similarly to insurance revenue, based on the passage of time over the coverage period.

### 2.3. Insurance and reinsurance finance income/ (expenses)

| Insurance finance expenses from insurance contracts issued | Notes | 2024 $000 | 2023 $000 |
|---|---|---|---|
| Discount unwind | | **8,078** | **4,995** |
| Due to changes in interest rates | | **(211)** | **(676)** |
| **Total insurance finance expenses from insurance contracts issued** | **2.1** | **7,867** | **4,319** |

| Reinsurance finance income from reinsurance contracts held | Notes | 2024 $000 | 2023 $000 |
|---|---|---|---|
| Discount unwind | | 338 | 1,852 |
| Due to changes in interest rates | | (46) | (102) |
| **Total reinsurance finance income from reinsurance contracts held** | **2.2** | **292** | **1,750** |

**Recognition and Measurement**

Insurance and reinsurance finance income/ (expenses) comprises changes in the carrying amounts of groups of insurance contracts issued and reinsurance contracts held arising from the effects of the time value of money. The Company has chosen to recognise insurance and reinsurance finance expenses/ (income) in the profit or loss.

### 2.4. Critical accounting estimates and judgements

*Liability for incurred claims - ultimate cost of claims*

The liability for incurred claims represents the ultimate cost of claims incurred but not settled at reporting date, and consists of the central estimate which includes an allowance for claims incurred but not reported (IBNR) and further development of reported claims.

The estimation of the IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be reported until some years after the events giving rise to the claims that have happened. Long-tail classes of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. Short-tail claims are typically reported soon after the claim event and hence tend to display lower levels of volatility.

In calculating the estimated cost of unpaid claims, the Company uses a variety of estimation techniques, generally based upon statistical analysis of historical Company and general industry experience that assumes that the development pattern of the current claims will be consistent with past company experience and/or general industry benchmarks as appropriate. Allowance is made, however, for changes or uncertainties that may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims. The general approach to actuarial estimation of insurance liabilities is to analyse all available past experience, primarily claim payments, movements in case estimates and movements in incurred claim costs. This analysis allows patterns to be identified in the past experience. Based on this, development patterns associated with the run-off of insurance liabilities at the reporting date can be estimated.

*Onerous contracts*

Insurance contracts are onerous when the liability for remaining coverage is insufficient to pay future claims and other insurance service expenses attributable to the contracts. For groups of insurance contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. A significant judgement in determining onerous contracts is the measurement of the ultimate cost of claims.

*Risk adjustment*

The risk adjustment for non-financial risk is the compensation that the Hollard Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. For reinsurance contracts held, the risk adjustment represents the amount of risk transferred by the Group to the reinsurer.

The Group has adopted a cost of capital approach to determine the risk adjustment. The method applies the expected cost of capital to the amount of capital required to be held by the Group over the period of risk. It provides a clear link between the Group's required compensation for bearing risk and the risk adjustment adopted.

The adopted cost of capital is equivalent to a 61.9% probability of adequacy (2023: 60.2%).

The Company has chosen to aggregate the change in risk adjustment for non-financial risk as part of insurance service expense.

**Key assumptions**

| | **2024** | **2023** |
|---|---|---|
| Discounted mean term (years) | 0.64 | 0.68 |
| Discount rate | 4.30% | 3.76% |
| Inflation rate | 3.90% | 5.07% |
| Claims handling expense rate | 6.53% | 5.91% |

*Discounted mean term of claims*

The discounted mean term of claims relates to the expected payment pattern for claims. It is calculated by class of business and is generally based on historical settlement patterns. The discounted mean term of claims, while not itself an assumption, provides a summary indication of the future cash flow pattern.

*Discount rate*

The liability for incurred claims and loss components are discounted at a rate equivalent to that inherent in a portfolio of risk-free fixed interest securities with coupon and redemption cash flows exactly matching the projected inflation claim cash flows plus an illiquidity premium. Due to the short term nature of the business, an allowance for illiquidity premium has not been recognised. The discount rates disclosed above are expressed as weighted averages.

*Inflation rate*

The Company considers inflation rate to be non-financial risk as it is company specific. Economic inflation assumptions are selected after reference to current economic indicators including Consumer Price Index (CPI) and Australian Weekly Earnings. Superimposed inflation occurs due to non-economic effects such as court settlements increasing at a faster rate than wages or CPI inflation. An allowance for superimposed inflation was made for the liability class of business, after considering both the portfolio experience and industry trends.

*Claims handling expense rate*

Claims handling expenses are calculated by reference to expected experience of claims handling costs as a percentage of expected payments.

**Sensitivity Analysis**

The movement in any of the above key actuarial assumptions will impact the profit or loss and equity of the Company. The table below describes how a change in each of the assumptions will affect the Company. Each change has been calculated in isolation of the other changes, and without regard to other changes to balance date amounts that may occur simultaneously. The movements are stated in absolute terms where the base assumption is a percentage or average term. The impact on equity and profit or loss is identical as the changes in non-financial assumptions are recognised in the profit or loss and we have chosen to not to disaggregate the effects of time value of money between profit or loss and other comprehensive income.

| | **Sensitivity** | **Impact on Equity/ Profit or (Loss) before tax** | **2024 $000** | **2023 $000** |
|---|---|---|---|---|
| Discounted mean term | + 6 mths | Increase/ decrease | 556 | (2,694) |
| | **- 6 mths** | **Decrease/ increase** | **(557)** | **2,677** |
| Discount rate | + 1% p.a. | Increase | 1,808 | 2,777 |
| | **- 1% p.a.** | **Decrease** | **(1,837)** | **(2,823)** |
| Inflation rate | + 1% p.a. | Decrease | (1,826) | (2,761) |
| | **- 1% p.a.** | **Increase** | **1,832** | **2,769** |
| Claims handling expense rate | + 1% p.a. | Decrease | (3,703) | (4,194) |
| | **- 1% p.a.** | **Increase** | **3,703** | **4,194** |

### 3. Investment activities

The assets backing general insurance liabilities are those assets required to cover the insurance liabilities plus an allowance for solvency equal to the minimum regulatory capital prescribed by APRA. Insurance contract liabilities include liabilities for incurred claims, liabilities for remaining coverage associated with insurance operations. The Company has determined that all financial assets designated at fair value through profit or loss are held to minimise the impact of mismatch between the assets and liability values.

As part of its investment strategy, the Company seeks to notionally allocate its assets to insurance activities to mature in accordance with the expected pattern of future cash flows arising from insurance liabilities.

The Company's investments comprise cash and cash equivalents and financial assets (including term deposits).

### 3.1. Investment income

| | 2024 $000 | 2023 $000 |
|---|---|---|
| Interest income | 28,832 | 18,511 |
| Fair value gain on investments | 1,220 | (853) |
| Gain/(loss) on disposal of investments | 883 | 562 |
| **Total investment income** | **30,935** | **18,220** |

**Recognition and Measurement**

Interest income is recognised in the Statement of Comprehensive Income as it accrues. Dividend income is recognised in the Statement of Comprehensive Income on the date that the Company has a right to receive payments.

Investment income includes realised and unrealised gains or losses on financial assets.

### 3.2. Cash & Cash Equivalents

| | 2024 $000 | 2023 $000 |
|---|---|---|
| Cash held for operational purposes | 110,122 | 122,846 |
| | **110,122** | **122,846** |

**Recognition and Measurement**

Cash and cash equivalents include cash and deposits at call, with an original maturity of three months or less, which are readily convertible to cash and are subject to an insignificant risk of change in value. There are no restrictions on cash and cash equivalents.

### 3.3. Financial assets

| | 2024 $000 | 2023 $000 |
|---|---|---|
| Term deposits | 275,091 | 402,837 |
| Government and semi-government bonds | 109,468 | 114,659 |
| Corporate bonds | 95,473 | 81,882 |
| Cash and cash equivalents | 2,494 | 783 |
| **Total financial assets** | **482,526** | **600,161** |

**Recognition and Measurement**

Financial assets are designated at fair value through profit and loss upon initial recognition to reduce the potential asset liability mismatch that may otherwise arise. Initial recognition is at fair value in the Statement of Financial Position and subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the Statement of Comprehensive Income.

### 3.4. Fair value hierarchy

The table below analyses investments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical investments
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the investment, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for investments that are not based on observable market data (unobservable inputs).

| | **2024 $000** | **2023 $000** |
|---|---|---|
| Total level 1 investment assets - term deposits | 275,091 | 402,837 |
| Total level 1 Investment assets - government and semi-government bonds | 109,468 | 114,659 |
| Total level 1 investment assets - corporate bonds | 95,473 | 81,882 |
| Total level 1 Investment assets - cash and cash equivalent | 2,494 | 783 |
| **Total investment assets** | **482,526** | **600,161** |

## 4. Capital structure

Capital management plays a central role in managing risk to create shareholder value whilst also ensuring that the interests of other stakeholders including policyholders, lenders and regulators are met. Capital finance growth, capital expenditure and business plans also provide support if adverse outcomes arise from insurance, investment performance or other activities. The determination of the appropriate level of capital is based on regulatory and economic consideration.

### 4.1. Contributed Equity

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **Number** | **$000** | **Number** | **$000** |
| Balance at the beginning of the year | 253,100,000 | 253,100 | 153,100,000 | 153,100 |
| Capital issued during the year | - | - | 100,000,000 | 100,000 |
| **At end of the financial year** | **253,100,000** | **253,100** | **253,100,000** | **253,100** |

All ordinary shares on issue are fully paid and have no par value. Ordinary shares entitle the holder to a vote at a general meeting of the Company and to participate in the dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held. In the event that the Company is wound up, shareholders rank after all other creditors and are entitled to any proceeds on liquidation.

### 4.2. Capital management

Capital Management plays a central role in ensuring adequate capital is maintained over time and for monitoring compliance with regulatory capital requirements and targets. A key component of capital management is the Internal Capital Adequacy Assessment Process (ICAAP) - as articulated in the Company's ICAAP Summary Statement - and includes:

- specific capital targets set in context of the Company's approach for ensuring adequate capital is maintained over time;
- plans for how target levels of capital are met; and
- potential sources of additional capital, if required.

The Company is a licensed insurer regulated by the APRA and is subject to APRA’s prudential standards. Licensed insurers are subject to a Prescribed Capital Amount (PCA), being the minimum level of capital that the regulator deems necessary to meet policyholder obligations. The prescribed method uses a risk-based approach. The Company's policy is to hold capital in excess of the minimum prudential capital requirement.

Capital calculations for regulatory purposes are based on the premium liabilities model which is different to the deferral and matching model which underpins the measurement of assets and liabilities in the financial statements. The premium liabilities model assesses future claims payments arising from future events insured under existing policies. This differs to the measurement of the liability for the incurred claims on the statement of financial position which considers claims relating to events that occur only up to and including the reporting date.

The ICAAP also sets the actions and procedures for monitoring compliance with its regulatory capital requirements and capital targets. These include:

- setting of triggers to alert management to potential breaches of targets;
- actions to avert and rectify potential breaches of these requirements; and
- setting the target levels of regulatory capital, in line with the Company's risk appetite, being 1.60 to 1.80 times the PCA at the balance date.

The Capital Adequacy Multiple (CAM) as at 30 June 2023 has not been restated. The CAM as at 30 June2024 has been calculated in accordance with APRA Prudential Standards effective 1 July 2023.

| Capital Adequacy | 2024 $000 | 2023 $000 |
|---|---|---|
| **Common Equity Tier 1 Capital** | | |
| Paid up ordinary shares | 253,100 | 253,100 |
| Retained income | 50,456 | 48,609 |
| Net surplus relating to insurance liabilities | (149,387) | 3 |
| Regulatory adjustments to common equity tier 1 | 117,532 | (23,339) |
| **Total Common Equity Tier 1 Capital** | **271,701** | **278,373** |
| **Total regulatory capital base** | **-** | **-** |
| Insurance risk charge | **67,754** | **78,346** |
| Insurance concentration risk charge | **3,750** | **6,027** |
| Asset risk charge | **38,633** | **78,815** |
| Operational risk charge | **31,074** | **28,978** |
| Less: aggregation benefit | **(22,328)** | **(36,734)** |
| **Prescribed Capital Amount (PCA)** | **118,883** | **155,432** |
| **Capital Adequacy Multiple (CAM)** | **2.29** | **1.79** |

## 5. Risk management

The Board and management recognise that effective risk management is a critical component of sound business practice and integral to achieving the Company's business objectives.

The Board is ultimately responsible for the establishment and maintenance of an effective Risk Management Framework (RMF) that provides a structure for identifying and managing material risks to ensure the Company is being prudently and soundly managed, having regard to the size, business mix and complexity of its operations.

In accordance with APRA's prudential standard CPS 220 Risk Management, GPS 230 Reinsurance Management and GPS 110 Capital Adequacy, the Board and senior management have developed, implemented and monitor the ongoing maintenance and effectiveness of the RMF. Key documents within the RMF are:

- Group Risk Management Strategy (RMS)
- Group Risk Appetite Statement (RAS)
- HHA Group Business Plan
- Reinsurance Management Strategy (ReMS)
- Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement
- Recovery & Exit Plan
- Business Continuity Plan and Crisis Management

During the financial year ended 30 June 2024, there were five formal Board committees with delegated responsibilities to assist with risk management monitoring met regularly. These included the Board Risk Committee, Board Audit Committee, Board Remuneration Committee, Board Projects and Technology Committee and Board Reinsurance Committee. Cross membership on committees allows effective communication between committees ensuring that all risk related matters are appropriately considered. The Board annually submits a Risk Management Declaration to APRA.

*Risk Management Strategy (RMS)*

The Board annually reviews and approves the RMS following a review process facilitated by the Group Risk and Compliance team, in consultation with management. Key aspects include:

- Description of each material risk (both financial and non-financial) and the Group's approach in managing the risks
- Risk Management Processes including policies, procedures, risk assessments, controls, management information systems, monitoring and reporting
- Accountabilities and governance arrangements for the management of risk across the organisation

On behalf of the Board, the Board Risk Committee (comprising solely of independent non-executive directors), monitors the adequacy and effectiveness of the RMF including strategies and processes for managing financial and non-financial risk.

*Risk Appetite Statement (RAS)*

The Board, in annually approving the RAS, is responsible for setting the Company's risk appetite and for oversight of its operation by management. The RAS is a key component in setting the Company's business strategy. The RAS sets out the degree of risk the Company is prepared to accept in pursuit of its strategic objectives and business plans, by outlining clear boundaries for the material risks in the form of risk tolerances and limits.

*Business Plan*

Over the last 5 years, the Group has progressed a significant change journey across the enterprise-wide operating model, all in support of a long-term partnership focused strategy.

In FY24, with the introduction of a new executive leadership team, Hollard refreshed the articulation of its strategy under five strategic principles detailed below. Considering the highly complex external and internal environment in which the Company operates, it has been imperative for Hollard to align focus, investment and effort across these key strategic principles.

The Group remains in an “investment and execution” phase, integrating the HIP business and executing its Transformation agenda focused on consolidation of core systems onto a single claims, policy, and data platform. This will foster a One Hollard approach and establishes the foundations for greater efficiencies, and future opportunities.

*Reinsurance Management Strategy (ReMS)*

The Board annually approves the ReMS which is a key strategic document outlining the Company’s strategy, approach, use and management of its reinsurance arrangements consistent with its risk appetite, capital management and business objectives. The Company participates in both proportional (quota share) and non-proportional (excess of loss) reinsurance treaties, to limit its exposure to large risks (both individual and event) and provide capital support.

On behalf of the Board, the Board Reinsurance Committee monitors the adequacy and effectiveness of the ReMS ensuring the reinsurance programs are adequate to protect policyholder’s interest within Board approved risk tolerance levels as defined in the RAS.

*Internal Capital Adequacy Assessment Process (ICAAP)*

The Board’s annually approved ICAAP is the process by which the Company manages the adequacy of its capital in line with its risk appetite and risk profile.

The Company manages the adequacy of its capital base in line with the Board approved three-year business plan (HHA Group Business Plan), risk appetite, risk profile and Target Capital requirements. Sound capital management ensures that the Company can fulfil commitments made to customers, partners, and other key stakeholders with a high degree of certainty.

*Recovery & Exit Plan*

The Board approved the Recovery & Exit Plan details the Company’s approach to, and processes around, capital management that are designed to restore the financial resilience during or following stress. Key aspects of the Plan include:

- It must remain current and relevant in the context of changes to risk profile, internal systems and processes, and the external environment
- It is intended to govern capital management in severe or extreme circumstances where the ongoing viability of the organisation is threatened
- It fits in the crisis continuum with business-as-usual risk management (stable environment), ICAAP (stress environment), recovery and exit planning (recovery environment) and resolution planning

The Recovery & Exit Plan, therefore, forms an important component of the overall RMF.

*Business Continuity Plan and Crisis Management*

The Board recognises the importance of Business Continuity Management (BCM) in supporting the resilience of the Company. The Board approved Business Continuity Management Policy sets out the objectives and approach in relation to BCM for the Company. The BCM Program (BCMP) is designed to restore operational effectiveness after a significant interruption and includes a crisis management component.

There may be circumstances where the BCMP and the Recovery & Exit Plan are activated concurrently. In such circumstances there is alignment between the BCMP and the Recovery & Exit Plan in continuation of business activities (disaster recovery and business continuity) following a disruption.

*Risk Management Framework*

The Company's risk management framework provides the structure for identifying and managing material risks to ensure the Company is being prudently and soundly managed, having regard to the size, business mix and complexity of its operations. The Company's operating model, and the associated roles and responsibilities, have been formally described in the RMS.

Under the three lines of defence model the key business functions (1st line of defence) are accountable for managing risk and compliance within risk appetite, in accordance with frameworks and policies. A dedicated Group Risk and Compliance team (2nd line of defence) undertake monitoring, review, and challenge. The Chief Risk Officer (CRO) and group risk function provide regular reports to the Board Risk Committee. The Internal Audit team (3rd line of defence) conducts independent assurance. The Internal Audit team reports to the Board Audit Committee (comprising solely of independent non-executive directors).

Annually, the Board receives a Financial Condition Report (FCR) completed by the Appointed Actuary as required under APRA's prudential standard CPS 320 Actuarial and Related Matters. The FCR reports on a number of areas including the management of risk by the Company. The FCR is submitted to APRA.

On behalf of the Board, the Board Risk Committee and the Board Audit Committee monitors the adequacy and effectiveness of the ICAAP, Recovery & Exit Plan, and the Business Continuity Plan.

The material risks addressed by the RMF/RMS are defined below:

- Strategic risk (Note 5.1) The risk of not meeting financial and other objectives arising from poor strategic business decisions, failed implementation of strategic projects, risks from the impacts of competitors, emerging strategic risks and other fundamental strategic issues that impact the Company or the insurance industry in Australia.
- Insurance risk (Note 5.2) The risk associated with the variable outcome of writing insurance business being the financial consequences of failures in core insurance processes of underwriting, pricing, product design, claims management, reinsurance programs and catastrophic claims events and includes the adequacy of insurance liability provisions.
- Credit risk (Note 5.3) The risk, that a person or an institution with whom the Company has entered a financial contract, who is a counterparty to the contract, will partially or fully default on the obligation, or be subject to a downgrade in their assessed credit quality.
- Market, Liquidity and Capital risk (Notes 5.4, 5.5) The risk of a lower-than-expected return on investments or losses from asset liability mismatches, due to adverse movements in interest rates, inflation, equity markets, currencies and other economic factors. This category includes other market risks impacting the balance sheet and capital adequacy, including liquidity and access to capital.

- Operational risk (Note 5.6) The risk of an incident occurring which leads or could lead to the actual outcome of a business process to differ from the expected outcome due to inadequate or failed processes, people, systems or external factors.
- Compliance risk (Note 5.7) The risk of loss arising from either the current (or future) regulatory framework under which the Company operates. Specifically including risks associated with breaching the law, taxation obligations and requirements of a financial services licence holder and of a general insurer in the Australian market.

*ESG (Sustainability) Strategy*

For the Financial Year ended 30 June 2024, the Group developed a revised sustainability strategy (known as the "Shared Value Strategy & Roadmap"), through the support and guidance of its shareholders with their already well-established Yellowwood Pride Framework. This revision will supersede the "Hollard Environmental, Social and Governance Sustainability Roadmap 2023 to 2026".

Shared Value is a way to think about how the Group can do well by doing good, how it becomes a catalyst for enduring, positive, social change whilst running a sustainable and profitable business by looking at how it make decisions and how it thinks about its role not just in the economy but the wider global community. The Group's approved Shared Value Strategy & Roadmap requires it to identify and understand sustainability risks and opportunities (including environmental, social and governance) to reduce the accessibility and affordability pressures of insurance for our most vulnerable communities.

### 5.1. Strategic risk

The Company seeks to manage strategic risk as part of its annual strategic planning process. The Board annually reviews and approves the HHA Group Business Plan with subsequent regular monitoring of the risks undertaken by the Board Risk Committee.

The Company develops and implements strategy, and the accompanying plans within its core competencies, chosen markets, while operating to enhance its digital and automation capabilities and focusing on improving outcomes for its customers and creating long-term shareholder value. It is willing to adopt appropriately managed medium risk strategies and accept some associated earnings volatility, whilst remaining well capitalised, to achieve its strategic objectives through a range of key strategic technology transformation projects aimed at driving improved operational efficiency and business practices, and enhanced customer experience.

The primary focus in managing strategic risk during the year has been centred on achieving business plan and major change initiatives such as implementation of the new Policy Administration System (PAS), introduction new Claims management system, and the Finance project to implement AASB 17 Insurance Contracts. Apart from the transformational projects, there has also been a major focus on delivering the Partner Engagement Model project for governance, oversight, monitoring and reporting framework that promotes risk-based consistency and accuracy across partner activities.

### 5.2. Insurance risk

Insurance risk is inherent in the operation of the Company and relates to product design, pricing, underwriting, claims, reinsurance programs and catastrophe management processes.

The Company in managing the risk:

- is willing to accept a medium level of underwriting risk by employing a conservative underwriting strategy of underwriting diversified risks within its area of core competence. Temporary and permanent embargo activities (bushfire and flood) have been completed in FY24, and further strengthening and uplifting of underlying controls, procedures and processes within the underwriting governance framework is in progress.

- is willing to accept a medium level of risk of pricing by utilising experienced and qualified teams and using fit for purpose pricing processes and controls and advanced pricing tools. In FY24, significant increases in premiums (consistent with the industry at large) were implemented across the majority of our portfolios (including targeted pricing increase in high catastrophe exposure area) and the Company also participated in the Cyclone Reinsurance Pool.
- is willing to accept a medium level of risk of variability of underlying claims performance, unmanaged claims cost drivers and insufficiency of claims and premium liabilities, commensurate with the level of risk assumed in pricing and underwriting. High claims inflation during the year impacted average claims costs adversely, however, improvement has been observed in the leakage and ex-gratia rate.
- has a low appetite for any insurance product flaws including inadequate design, delivery or maintenance that result in any material unintended exposures or misalignment with corresponding reinsurance arrangements. In FY24, the harmonisation of Product Governance Framework and Policies have been completed, and Hollard regularly monitor of consistency between product and reinsurance wordings.
- has a medium appetite for exposure to large accumulations and event losses from any natural peril while acknowledging exposure to catastrophes from natural perils is unavoidable but limits exposure to large single claims and accumulated natural peril losses, and to any one catastrophe event through its reinsurance net retention. A series of weather events in Australia in FY24 has resulted in significant losses that were largely recovered by our reinsurance arrangements.

### 5.3. Credit risk (or Counterparty risk)

The Company's credit/counterparty risk arises predominantly from investment in financial instruments such as banks, reinsurers and includes the credit risks of receivables from distribution partners or customers, and receivables for claims payments on reinsurance contracts. It uses investment grade rated reinsurers and banks with good financial standing, and a disciplined approach for credit control to manage the counterparty risks of suppliers, partners, brokers, and customers. The Company diversifies its financial exposures to counterparties where commercially viable and possible.

*Investments*

The *Group Investment and Liquidity Policy* (Policy) approved by the Board encapsulates the overall approach to be used in managing the investment and liquidity risks inherent in the Company's business and the parameters by which it can invest. The Policy contains the key concepts and minimum requirements for counterparties for the Company's liquid investment portfolio (size of investments, concentrations, minimum ratings).

The Company seeks to limit its exposure to credit risk by investing cash with counterparties that are APRA regulated authorised deposit taking institutions. The Strategic Asset Allocation, implemented with the support by expert asset management consultants, enabled exposure to fixed interest (Government & Corporate bonds), managed by a specialised fixed interest manager and held with an independent custodian.

*Reinsurance Receivables*

The Board and Management understand the critical role that reinsurance plays in supporting key business objectives, capital management and assisting the Company to meet its policyholder obligations.

In accordance with the Reinsurance Management Strategy and Risk Appetite Statement, reinsurance is placed with counterparties that have a Standard and Poor's (or equivalent) credit rating of "A-"or better whilst long tail reinsurance must be placed with counterparties with a Standard and Poor's (or equivalent) credit rating of "A+". Contractual terms include a requirement for collateralisation if ratings of reinsurance counterparties are downgraded. Exceptions to the policy can be approved by the Board Reinsurance Committee. In addition, reinsurance contracts include a requirement for collateralisation where the associated recoveries are outstanding at the second balance date from the recovery being recognised.

*Credit exposure*

The table below provides information regarding the credit risk exposure of the Company by classifying major classes of assets according to Standard and Poor's short-term credit ratings of the counterparties. Where an amount relates to a long-term exposure the relevant amount has been included in the equivalent short-term rating.

| **2024** | **A-1 $000** | **A-2 $000** | **A-3 $000** | **Not Rated $000** | **Total $000** |
|---|---|---|---|---|---|
| Cash | - | 110,122 | - | - | 110,122 |
| Financial assets | 179,411 | 303,115 | - | - | 482,526 |
| Other receivables | - | - | - | 13,616 | 13,616 |
| Reinsurance contract assets-Asset for incurred claims | 153,493 | 97,764 | 315 | - | 251,572 |
| **2023** | **A-1 $000** | **A-2 $000** | **A-3 $000** | **Not Rated $000** | **Total $000** |
| Cash | - | 122,846 | - | - | 122,846 |
| Financial assets | 106,891 | 483,152 | - | 10,118 | 600,161 |
| Other receivables | - | - | - | 20,095 | 20,095 |
| Reinsurance contract assets-Asset for incurred claims | 45,840 | 117,172 | 492 | - | 163,504 |

The table below provides information regarding the ageing of assets that are past due at the reporting date:

| | | **Past due** | | | |
|---|---|---|---|---|---|
| **2024** | **Not past due $000** | **Up to 30 days $000** | **31-120 days $000** | **120+ days $000** | **Total $000** |
| Cash | 110,122 | - | - | - | 110,122 |
| Financial assets | 482,526 | - | - | - | 482,526 |
| Other receivables | 13,565 | - | 51 | - | 13,616 |
| Reinsurance contract assets - Asset for incurred claims | 251,572 | - | - | - | 251,572 |
| Receivables within Insurance contract liabilities | 436,649 | 82,170 | 830 | 149 | 519,798 |

| | | Past due | | | |
|---|---|---|---|---|---|
| **2023** | **Not past due $000** | **Up to 30 days $000** | **31-120 days $000** | **120+ days $000** | **Total $'000** |
| Cash | 122,846 | - | - | - | 122,846 |
| Financial assets | 600,161 | - | - | - | 600,161 |
| Other receivables | 20,092 | - | - | 3 | 20,095 |
| Reinsurance contract assets - Asset for incurred claims | 163,504 | - | - | - | 163,504 |
| Receivables within Insurance contract liabilities | 399,313 | 72,645 | 555 | - | 472,513 |

For assets to be classified as 'past due', contractual payments in arrears are more than 90 days. When credit exposure is adequately secured, arrears more than 90 days might be classified as 'past due', with no expected credit loss recorded. The Company operates mainly on a 'nor past due basis' and sufficient collateral will be obtained for 'past due' assets. The Company has not recognised an expected credit loss at 30 June 2024.

### 5.4. Market risk

Market Risk is the risk of lower-than-expected return on investments, or losses from asset liability mismatches, due to adverse movements in interest rates, inflation, equity markets, currencies and other economic factors. This category includes other market risks impacting the balance sheet and capital adequacy, including liquidity, treasury management and access to capital. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk and to ensure that the Company is appropriately capitalised to meet its current and future policyholder obligations.

The Company has a low appetite for investment risks arising from adverse marked to market movements in investments from interest rates and inflation. The Company aims to manage the diversification of assets to avoid asset concentration risks. The Company has no appetite to speculate with interest rates and related derivatives.

The Board annually reviews risk appetite with regard to the investment strategy in relation to policyholder funds and shareholder funds with specific risk limits set in regard to liquid assets. The Management Investment Committee and the Board monitor the application of the Investment and Liquidity Policy that sets out the key parameters such as liquidity limits, as well as reviewing application of the fair value process.

*Cash flow and fair value interest rate risk*

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

Floating rate instruments expose the Company to cash flow interest risk, and the Company manages interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The Board approved Investment and Liquidity policy also requires it to manage the maturities of interest-bearing liabilities. Any gap between fixed and variable rate instruments and their maturities can also be managed by the Company through derivative financial instruments.

As at 30 June 2024 the Company did not have any such exposures to derivative financial instruments. Interest on floating rate instruments is repriced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

In addition, interest rate risk exists in insurance contracts issued by the Company which the Company manages by adopting close asset/liability matching criteria, to minimise the impact of mismatch between asset and liability values arising from interest rate movements.

The below table is the impact of interest rate movements on financial assets. The impact on equity and profit or loss is identical as the financial assets are measured at fair value through profit or loss. The impact of discount rate movements on net insurance contract liabilities is disclosed in Note 2.4.

| | Sensitivity | Impact on Equity/Profit or (Loss) before tax | 2024 $000 | 2023 $000 |
|---|---|---|---|---|
| Impact of interest movement | + 1% p.a. | Increase | 1,801 | 711 |
| | - 1% p.a. | Decrease | (1,801) | (711) |

*Liquidity risk*

Liquidity risk is the risk associated with an inability for the Group to realise asset values to meet liabilities as they fall due, including the financial impact of not matching assets and liabilities by the necessary term, currency, duration etc. The key objective of the Company's liquidity management is to ensure it has sufficient available liquidity to meet current and future obligations to policy holders under both normal and stressed liquidity environments without incurring unacceptable losses or risking damage to the Company's reputation.

The following key arrangements are in place to mitigate liquidity risks:

- A Board approved Investment and Liquidity Policy and monitored by the Board Audit Committee comprising mandated liquidity limits including asset/liability duration.
- Management and reporting on Premium receivables from intermediaries and customers.
- Advanced cash call and collateralisation clauses in reinsurance contracts combined with accelerated receipt of large reinsurance recoveries to manage potential shortfalls that could arise from mismatches in timing of claim payment and recoveries.
- The policy also imposes minimum levels for aggregate investment in APRA regulated ADIs which provides a control for managing the relatively non-liquid insurance related strategic investments.

*Maturity profiles*

The following table summarises the maturity profile of the Company's liabilities. Other than insurance contracts, the maturity profile is based on the remaining undiscounted contractual obligations. For insurance contracts, the maturity profiles are determined on the discounted estimated timing of net cash outflows. Repayments that are subject to notice are treated as if notice were to be given immediately.

**Insurance contract liabilities-Liability for incurred claims**

| | Up to a year $000 | 1 - 2 years $000 | 2 - 3 years $000 | 3 - 4 years $000 | 4 - 5 years $000 | 5+ years $000 | Total $000 |
|---|---|---|---|---|---|---|---|
| **2024** | 338,011 | 71,625 | 21,677 | 6,565 | 1,136 | 599 | 439,613 |
| **2023** | 383,071 | 83,796 | 26,738 | 6,917 | 1,237 | 1,541 | 503,300 |

The Company's financial liabilities are carried in the statement of financial position at amounts that approximate fair value. The carrying amounts of all financial assets and liabilities are reviewed to ensure they are not in excess of the net fair value.

### 5.5. Capital risk

Capital Risk is the risk associated with an inability for the Company to access capital to support its business, or from having inadequate capital frameworks or from falling below its APRA Prescribed Capital Requirements (including internally assessed margins).

The Company maintains sufficient capital to meet all its financial and regulatory obligations and to be able to pay all claims to a high degree of certainty. The Company seeks to monitor and manage its capital position through an effective and regulatory compliant capital management framework which details the target capital operating range, monitoring, and stress-testing activity.

### 5.6. Operational risk

Operational Risk is the risk of an incident occurring which leads or could lead to the actual outcome of a business process to differ from the expected outcome due to inadequate or failed processes, people, systems or external factors. The risk areas encapsulated in this category include operational processes, distribution partner processes, technology, information security, business continuity, suppliers and outsourcing, fraud, people, financial processes and reporting and models.

The Company manages this operational risk by employing a range of risk management processes, including documented critical processes, the identification of key risks and the design and implementation of effective controls within those processes. The below further support the management of these risks:

- operational risk reviews and assessments
- incident and breach reporting
- policies, procedures, and frameworks
- business case due diligence
- control development including segregation of duties
- performance management and training
- reporting and monitoring

Numerous operational procedures, frameworks and policies are relevant to the management of this risk, included functional operating frameworks (e.g. Finance), Business Continuity Management and related crisis managements plans (such as the Crisis and Incident Management Plan and Pandemic Response Plan that were followed at the onset of COVID-19), various IT and Cybersecurity Policies, HR, and other policies.

During the year, Operational Risk management received continued focus in the form of risk profile uplift activities remediation activities in the control environment and strategic transformation project (Claims, Policy Administration and Finance) related risks.

### 5.7. Compliance risk

Compliance Risk is the risk of loss arising from either the current (or future) regulatory framework under which the Company operates. Specifically including risks associated with breaching the law, taxation obligations and requirements of a financial services licence holder and of a general insurer in the Australian market.

The Company seeks to manage Compliance Risk through implementation and monitoring of a formal Compliance Risk Management Framework and application of the principles of the framework to distribution partners/ intermediaries, maintaining and reviewing an incident and breach framework, and maintaining visibility and currency on compliance obligations via obligations data reports and participation in Industry committees, forums, and seminars.

The Board Risk Committee monitors the performance of the Company in meeting its compliance obligations. A Board approved Tax Risk Management and Governance Framework is in place and monitored by the Board Audit Committee.

During the financial year, the Company has systematically actioned a work plan to ensure readiness for changes to laws affecting insurers and responded to regulatory requests, including CPS 511 Remuneration which commenced on 1 January 2024, and delivered on a compliant solution under the new AASB 17 Insurance Contracts standard. It has also updated the Recovery & Exit Plan to meet the CPS 190 requirements, which began on 1 January 2024. The Company continues to prepare for the Standing Committee on Economics initiated comprehensive Parliamentary Inquiry into the responses of insurers to the major floods of 2022 final recommendations, by reviewing potential outcomes to enhance compliance readiness, customer service, and market position. It continues to respond to the industry wide ASIC Pricing Review to review pricing systems and controls to prevent consumer harm, and to find, fix, to repay the difference between the pricing promise and the price delivered to the customer.

## 6. Taxation

### 6.1. Income tax expense

| | 2024 $000 | 2023 $000 |
|---|---|---|
| Loss before income tax | (43,177) | (56,973) |
| Prima facie tax benefit at 30% (2023: 30%) | (12,953) | (17,092) |
| ***Tax effect of non-temporary differences:*** | | |
| Net non-assessable income | 46 | 17 |
| Under/(over) provision in prior period | (16) | - |
| **Income tax benefit** | **(12,923)** | **(17,075)** |
| Current tax | (8,411) | (15,995) |
| Deferred tax | (2,414) | (1,080) |
| Under/(over) provision in prior period | (2,098) | - |
| **Income tax benefit** | **(12,923)** | **(17,075)** |

**Recognition and measurement**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

### 6.2. Recognised deferred income tax balances

| | 2024 $000 | 2023 $000 |
|---|---|---|
| Deferred tax assets | 12,095 | 9,373 |
| Deferred tax liabilities | (188) | 120 |
| **Net deferred tax assets** | **11,907** | **9,493** |

*Movement in temporary differences*

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Opening $000 | Profit or loss $000 | Closing $000 | Opening $000 | Profit or loss $000 | Closing $000 |
| Employee benefits | 5,145 | (1,616) | 3,529 | 2,456 | 2,689 | 5,145 |
| Insurance provisions | 1,855 | 6,479 | 8,335 | 5,721 | (3,865) | 1,855 |
| Provisions | 2,235 | (2,098) | 136 | 237 | 1,998 | 2,235 |
| Property plant and equipment | 137 | (43) | 95 | - | 137 | 137 |
| **Deferred tax asset before set-off** | **9,372** | **2,722** | **12,095** | **8,414** | **959** | **9,372** |
| Investments | 256 | (352) | (96) | - | 256 | 256 |
| Property plant and equipment | (135) | 43 | (92) | - | (135) | (135) |
| Other items* | - | - | - | (2,587) | - | - |
| **Deferred tax liability before set-off** | **121** | **(309)** | **(188)** | **(2,587)** | **121** | **121** |
| **Net deferred tax assets** | **9,493** | **2,413** | **11,907** | **5,827** | **1,080** | **9,493** |

*The Company had deferred tax liability of $2.5m at 30 June 2022 in respect of Receivable from ultimate parent, which was settled when the Company left the CBA tax consolidated group on 30 September 2022.

**Recognition and Measurement**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**Critical Accounting Estimates and Judgements**

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

*Tax Consolidation Regime*

Since 1 October 2022 the Company is a wholly-owned subsidiary in a tax consolidated group with Hollard Holdings Australia Pty Ltd (HHA) as the head entity. Effective 30 March 2022, HHA elected to convert into a multiple entry consolidated (MEC) group, of which the Company is a member of. Immediately before the joining time, the Company was a member of the Commonwealth of Australia tax consolidated group from which it exited.

The current and deferred tax amounts for the MEC group are allocated among entities in the group using a "standalone taxpayer" approach whereby each entity in the MEC group calculates its current tax and deferred taxes as if it continued to be a separate taxable entity in its own right.

Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's statement of financial position and its tax base applying under tax consolidation. Companies in the tax group assess the expected recoverability of unused tax losses and tax credits only in the period in which they arise and before assumption by the head entity, in accordance with AASB 112 applied in its own circumstances, without regard to the circumstances of the MEC group.

The members of the MEC group have entered into a tax funding agreement which sets out the funding obligations of members of the MEC group in respect of tax amounts. The tax funding arrangements require payments equal to the current tax liability (asset) assumed by the head entity and any deferred tax asset arising from tax losses assumed by the head entity. Where the amounts arising for the period under the tax funding arrangement differ to the amounts initially recognised by the Company for its current taxes and deferred tax assets (related to losses or tax credits) will result in a net contribution from or a distribution to the head entity and be recognised in equity.

The head entity in conjunction with other members of the MEC group, have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as the likelihood of payment of any amounts under the tax sharing agreement is considered remote.

*Consolidated Entity Disclosure Statement*

Subsection 295(3A)(a) of the Corporations Act 2001 does not apply to the Company as the Company is not required to prepare consolidated financial statements by Australian Accounting Standards.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

### 7. Other

This section provides disclosures on components of the Company's Statement of Comprehensive Income and Statement of Financial Position not disclosed previously in the financial statements, including:

- Expenses
- Property, plant and equipment
- Provisions, including employee benefits liability and expense
- Other receivables
- Other payables

### 7.1. Expenses

| | Notes | 2024 $000 | 2023 $000 |
|---|---|---|---|
| Claims expense | | 595,599 | 754,525 |
| Acquisition cash flows | | 71,960 | 68,053 |
| Levies and charges | | 36,256 | 31,068 |
| Losses on onerous contracts and reversal of those losses | | 771 | - |
| Allocation of reinsurance premiums | | 424,725 | 128,929 |
| Employee benefit costs | 7.2a) | 113,770 | 58,415 |
| Professional fees | | 15,476 | 6,167 |
| Outsourced insurance services | | 362 | 556 |
| Occupancy costs | | 2,051 | 4,221 |
| Depreciation | | 29 | 78 |
| Depreciation right-of-use asset | | 427 | 463 |
| Corporate expenses | | 50,912 | 29,750 |
| **Total expenses** | | **1,312,338** | **1,082,225** |
| | | | |
| **Represented by:** | | | |
| Insurance service expense | | 852,788 | 885,922 |
| Allocation of reinsurance premiums | | 425,822 | 129,147 |
| Other expenses | | 33,728 | 67,156 |
| | | **1,312,338** | **1,082,225** |

### 7.2. Provisions

| | 2024 $000 | 2023 $000 |
|---|---|---|
| **Employee Benefits:** | | |
| Annual leave | 774 | 3,119 |
| Long service leave | 987 | 3,486 |
| Other entitlements | 469 | 3,716 |
| **Total provisions** | **2,230** | **10,321** |

| | | |
|---|---|---|
| Payables within 12 months | 1,539 | 9,467 |
| Payables in greater than 12 months | 691 | 854 |
| **Total provisions** | **2,230** | **10,321** |

**a) Employee benefit expense**

| | 2024 $000 | 2023 $000 |
|---|---|---|
| Superannuation | **10,471** | **3,775** |
| Salaries and other employee benefits expense | **95,969** | **44,948** |
| Other employee related expenses | **7,330** | **9,692** |
| | **113,770** | **58,415** |

### 7.3. Other receivables

| | 2024 $000 | 2023 $000 |
|---|---|---|
| Related party receivables | 487 | 17,522 |
| Other receivables | 52 | 3 |
| Receivable from head entity under tax contribution agreement | 13,077 | 2,570 |
| **Other receivables** | **13,616** | **20,095** |
| Receivable within 12 months | 13,616 | 20,095 |
| **Other receivables** | **13,616** | **20,095** |

**Recognition and Measurement**

Receivables are non-interest bearing and are normally settled between 30 days and 12 months. The balance has not been discounted as the effect of the time value of money is not material. The net carrying amount of receivables is considered a reasonable approximation of the fair value of the assets due to the short-term nature of the assets.

At each reporting date, the Company assesses whether other receivables measured at amortised cost are credit impaired and recognises a loss allowance for expected credit loss (ECL). The ECL on other receivables are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. At 30 June 2024, no ECL has been recognised on other receivables (2023: nil).

### 7.4. Other payables

| | 2024 $000 | 2023 $000 |
|---|---|---|
| Other payables and accruals | 7,113 | 5,861 |
| Related parties | 26,282 | 884 |
| **Other payables** | **33,395** | **6,745** |
| Payable within 12 months | 33,395 | 6,745 |
| **Other payables** | **33,395** | **6,745** |

**Recognition and Measurement**

Payables are stated at amortised cost. These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid at that date. The amounts are unsecured and are normally settled within 30 days of the due date.

## 8. Additional disclosures

This section includes other information that must be disclosed to comply with Australian Accounting Standards, including:

- Cash flow disclosures
- Related party transactions and balances
- Key management personnel
- Commitments for expenditure
- Auditors' remuneration
- Accounting policy changes for the current year as well as for future years

### 8.1. Cash flow disclosures

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. This section provides a reconciliation of profit after income tax to cash flows from operating activities, detailing the key adjustments needed to convert net income into cash generated by operations. This reconciliation is important for understanding the differences between reported profit and actual cash flows, as it reflects how changes in working capital and non-cash expenses impact the financial position.

**a) Reconciliation of profit after income tax to cash flows from operating activities**

| | **2024 $000** | **2023 $000** |
|---|---|---|
| Loss from after income tax | **(30,254)** | **(39,898)** |
| ***Adjustments for:*** | | |
| Depreciation | 29 | 78 |
| Amortisation – right-of-use asset | 427 | 463 |
| (Gain)/loss on fair value of investments | (2,103) | 289 |
| Interest income | (28,832) | (18,529) |
| Finance costs/(receipts) | 245 | **5** |
| ***Change in assets and liabilities, excluding net assets acquired:*** | | |
| (Increase)/decrease in other receivables | 6,479 | (13,240) |
| (Increase)/decrease in reinsurance contract assets | (59,591) | 154,335 |
| (Increase)/decrease in prepayments | 210 | 142 |
| (Increase)/decrease in deferred tax assets | 11,345 | (11,017) |
| Increase/(decrease) in other payables | 26,650 | 2,899 |
| Increase/(decrease) in insurance contract liabilities | (63,563) | (70,015) |
| Increase/(decrease) in provisions | (8,091) | 1,727 |
| Increase/(decrease) in deferred tax liabilities | (13,759) | 7,351 |
| **Cash flows (used in)/from operating activities** | **(160,808)** | **14,590** |

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2024

### 8.2. Related party disclosures

Set out below is a summary of related party transactions by nature of transaction. The summary includes balances, income and expenses, cash, and non-cash components related to each transaction type and classification of related party:

**a) Transactions with related parties**

| | 2024<br>$000 | 2023<br>$000 |
|---|---|---|
| **Reinsurance premiums** | | |
| Other related parties | 122,495 | 121,000 |
| **Reinsurance recoverable** | | |
| Other related parties | 73,818 | - |

**b) Outstanding balances with related parties**

| | 2024<br>$000 | 2023<br>$000 |
|---|---|---|
| **Receivables** | | |
| Other related parties | 487 | - |
| Parent entity | - | 17,522 |
| **Payables** | | |
| Other related parties | (23,804) | (884) |
| Parent entity | (2,477) | - |
| **Reinsurance premiums payable (Asset for remaining coverage)** | | |
| Other related parties | (122,495) | (121,000) |
| **Reinsurance recoverable (Asset for incurred claims)** | | |
| Other related parties | 73,818 | - |
| **Tax group receivable** | | |
| Parent entity | 13,077 | 2,570 |

### 8.3. Key management personnel

| | 2024<br>$000 | 2023<br>$000 |
|---|---|---|
| Short-term benefits | 2,191 | 1,565 |
| Long term benefits | 101 | 80 |
| | **2,292** | **1,645** |

The benefits above were expensed in the financial year in relation to key management personnel. None of the non-executive directors, executive directors or other key management personnel hold shares in the Company nor any share options against the issued and un-issued shares.

### 8.4. Commitments Expenditure

Certain properties, motor vehicles and computer equipment are leased under non-cancellable operating leases. The amount of the commitment at year end is set out below:

| | 2024<br>$000 | 2023<br>$000 |
|---|---|---|
| Within one year | 168 | 297 |
| Between one year and five years | 214 | 183 |
| **Minimum lease commitments** | **382** | **480** |

There are no options to purchase the relevant assets on expiry of the lease.

### 8.5. Auditors' remuneration

| | 2024<br>$000 | 2023<br>$000 |
|---|---|---|
| Fees to the auditor of the statutory financial report | 369 | 278 |
| Fees for statutory and other assurance services required by legislation | 93 | 70 |
| | **462** | **348** |

The auditor of the Company is Deloitte Touche Tohmatsu.

### 8.6. Other accounting policy disclosures

**Early adoption of accounting policies**

The Company has early adopted AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction* from 1 July 2022 on initial recognition. Deferred taxes with respect to right-of-use assets and lease liabilities under AASB 16 *Leases* are reported on a gross basis in line with amendments in AASB 2021-5.

**Accounting policies adopted during the financial year**

The Company adopted the following new or revised accounting standards as applicable which became effective for the annual reporting period commencing on 1 July 2023, none of which had a material impact on the Company except for AASB 17 and AASB 9 (refer to Note 1.5 for further information).

- AASB 17 *Insurance Contracts*
- AASB 9 *Financial Instruments*
- AASB 2021-2 *Amendments to Australian Accounting Standards Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 2023-2 *Amendments to Australian Accounting Standards - International Tax Reform - Pillar Two Model Rules*

**Accounting standards and interpretations issued but not yet effective**

There are a number of new accounting standards and amendments issued, but not yet effective, none of which have been early adopted by the Company.

The Company intends to adopt new, revised or amending Accounting Standards and Interpretations in the operating year commencing 1 July after the effective date of the relevant standards and interpretations as set out below. The new standards and amendments, when applied in future periods are not expected to have a material impact on the financial position of the Company, except where noted below.

| | **Effective date** | **Operating year ending** |
|---|---|---|
| AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants | 1 January 2024 | 30 June 2025 |
| AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback | 1 January 2024 | 30 June 2025 |
| AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements | 1 January 2024 | 30 June 2025 |
| AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (as amended) | 1 January 2025 | 30 June 2026 |
| AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability | 1 January 2025 | 30 June 2026 |

### 9. Events subsequent to balance date

On 2 September 2024, the Company declared and paid a fully franked dividend of $40m.

No other matters or circumstances have arisen since 30 June 2024 that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs for the Company.

# Directors' declaration

FOR THE YEAR ENDED 30 JUNE 2024

In the opinion of the directors of Hollard Insurance Partners Limited (the Company)

(a) the financial statements and notes that are set out on pages 9 to 52, are in accordance with the *Corporations Act 2001*, including compliance with accounting standards, and giving a true and fair view of the Company and Company's financial position as at 30 June 2024 and of their performance for the financial year ended on that date; and

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

(c) in the directors' opinion, the consolidated entity disclosure statements as at 30 June 2024 is true and correct.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the board

Gary Dransfield
Independent Non-executive Director & Chair

Richard Enthoven
Non-Executive Director

Dated at Sydney 23 September 2024

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Quay Quarter Tower
50 Bridge Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

# Independent Auditor's Report to the Members of Hollard Insurance Partners Limited

*Opinion*

We have audited the financial report of Hollard Insurance Partners Limited (the "Company") which comprises the statement of financial position as at 30 June 2024, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the Directors' declaration and the Consolidated Entity Disclosure Statement.

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

- giving a true and fair view of the Company's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

*Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report for the year ended 30 June 2024 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible:

- For the preparation of the financial report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company in accordance with Australian Accounting Standards; and
- For such internal control as the directors determine is necessary to enable the preparation of the financial report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company, and is free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Deloitte.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants
Sydney, 23 September 2024