



**SOUTHERN RESPONSE  
ANNUAL REPORT 2024**

TE PŪROKO A TAU  
A URUPARE KI TE  
TONGA 2024

**S O U T H E R N  
R E S P O N S E**

Urupare ki te Tonga

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## Chair and Chief Executive's report

This is the thirteenth Annual Report of Southern Response Earthquake Services Limited ('Southern Response' or 'the Company') as a Crown-owned company.

The Company's core purpose remains; to resolve its customers' claims in a fair and enduring manner, within the terms of the insurance policy and in a financially effective and efficient way.

This will have been achieved once the insurance claims associated with the Canterbury earthquake events up until 5 April 2012 have been settled and the Company has discharged all of its obligations, including any obligations arising from its build programme and the resolution of any legal disputes and/or proceedings in respect of those claims. This includes the completion of the delivery of a package for eligible policyholders who cash settled with the Company prior to October 2014 (the 'Package').

### Year in review

#### Package Delivery

The Package was announced by the Government in December 2020 in response to a court judgment and is intended to provide eligible policyholders who cash settled prior to October 2014 with an additional payment in relation to contingencies, interest and in certain circumstances, professional fees and a contribution towards legal fees.

The Company has been very successful in its contact and payment efforts to date, and as at 30 June 2024, 8,195 Package payments had been made totalling \$236M (excluding GST). This represents approximately 93% of the total estimated full-take up cost of the Package. A provision for the outstanding Package payments is recognised in the financial statements with additional information included within the notes to the accounts.

The Company's Statement of Performance Expectations ('SPE') included targets for offers calculated, offers presented and payments made for overcap<sup>1</sup> and out-of-scope ('OOS')<sup>1</sup> Package claims. These targets were all exceeded either as a percentage of eligible claims and/or the number of claims settled.

The Company continues to receive very positive feedback from customers who have received Package payments. The first customer satisfaction survey conducted during the 2023 financial year resulted in an average overall experience rating of 8.0 out of 10. In the Company's 2024 financial year survey the overall experience improved even further with an average rating of 8.9 and increased satisfaction in every aspect of experience surveyed.

The implementation and delivery of the Package is overseen by an Independent Oversight Committee (the 'Committee') appointed by the Crown. The Company has regularly engaged with the Committee

throughout the year in an open and transparent manner to allow it to carry out its role. The Company's delivery of the Package is also under the supervisory function of the High Court and the Company has ensured it has met all filing requirements.

#### Outstanding Claims Portfolio

As at 30 June 2024, the Company had settled 99.78% of the Covered Claims<sup>1</sup> notified to the Company. In numbers, this means the Company has settled 49,725 Covered Claims, including 9,140 overcap house claim settlements. As at 30 June 2024, there are 108 Covered Claims in progress.

The Company's claims management activities remain outsourced to the Natural Hazards Commission Toka Tū Ake ('NHC')<sup>2</sup> under the Agency Agreement.<sup>1</sup> The Company retains ultimate responsibility and liability for its Covered Claims and utilises its residual resources to support NHC to settle claims.

During the year the Company settled 149 Covered Claims which exceeded its SPE targets however its open claims at year end were higher than forecast due to becoming liable for 21% more new claims than forecasts had assumed. The Company continues to become liable for new overcap claims that originate from NHC re-openings and there remains significant uncertainty as to how many new claims will be received by the Company in the coming years.

The Company continues to work closely with NHC to ensure the Company meets its objectives of enduring settlement outcomes in an efficient, effective and responsive manner.

The Company continues to ensure that the customer is at the centre of its processes, communications and systems and actively works to facilitate alternative settlement pathways in a transparent and collaborative way. The Company looks to identify flexible solutions and to work proactively with customers to reduce disputes.

As was the case in the previous financial year, New Zealand Claims Resolution Service<sup>3</sup> ('NZCRS') remains the most widely used service by Southern Response customers that have unresolved claims with the Company and the Company remains supportive of any alternative dispute resolution service that helps to provide efficient and expedient pathways towards claim settlement.

#### Efficient and Effective Operations

The Company continues to focus on managing its operations in an effective and efficient way whilst still being able to fully discharge its governance, financial and legal obligations and resolve any legal disputes and/or proceedings. The eventual operational wind-down of the organisation continues to be a focus for the Company.

#### Wellbeing, Health & Safety, and People

Southern Response is proud of its wellbeing, health and safety approach and track record.

Southern Response continues to monitor and manage the health and safety of all involved in its activities in accordance with its legislative responsibilities including its wider obligations to be a good employer. Although there are only a very small number of active construction sites, the Company remains vigilant toward managing health and safety.

The Company continues to offer its personnel access to its 'Manawaroa' wellbeing programme and runs many other wellbeing and development initiatives throughout the year.

The Board would like to acknowledge and thank its team of personnel for their continued commitment, contribution and dedication.

<sup>1</sup> See terms defined on page 13

<sup>2</sup> As of 1 July 2024, The Earthquake Commission (EQC) became the Natural Hazards Commission Toka Tū Ake (NHC)

<sup>3</sup> Formerly Greater Christchurch Claims Resolution Service

### Future Outlook

The Company's key areas of focus in the 2024-2025 financial year are:

- Making accurate, timely and enduring Package payments to remaining eligible applicants, so that by the end of the year Package operations are largely wound-down.
- Utilising its residual resources to support NHC to succeed in delivering fair and enduring settlements for Southern Response customers.
- Ensuring a customer centric approach for the settlement of outstanding claims and demonstrably offering alternative dispute resolution channels to customers when any form of litigation arises.
- Focusing on the continued wind-down of the Company and ensuring its final phase is effective and efficient.
- Ensuring that the Company's ongoing governance, financial and legal obligations are met.



**Alister James**  
Chair  
25 September 2024



**Casey Hurren**  
Chief Executive  
25 September 2024

### Financial Summary

Key aspects of Southern Response's financial results are outlined below.

	2024 \$'000	2023 restated \$'000*
Net insurance result	(53,445)	(15,603)
Revenue - Crown indemnity	31,100	40,000
Investment income	1,672	1,360
Other operating expenses	(4,655)	(5,794)
<b>Total comprehensive (loss) for the year</b>	<b>(25,328)</b>	<b>(19,963)</b>

#### Insurance liabilities

##### Earthquake run-off

Future cash flows	109,252	102,622
Risk adjustment	37,116	32,710
<b>Liability for incurred claims</b>	<b>146,368</b>	<b>135,332</b>

#### Crown Package

Discounted future cash flows	12,723	33,158
Risk adjustment	2,098	6,290
<b>Liability for incurred claims</b>	<b>14,821</b>	<b>39,448</b>

<b>Total liability for incurred claims</b>	<b>161,189</b>	<b>174,780</b>
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\*Restated on adoption of NZ IFRS 17 Insurance Contracts. Refer to note 15 to the financial statements.

The Company continues to ensure that it has sufficient capital support to meet its financial obligations. Funding is available as required through:

- Firstly, an uncalled ordinary share capital facility from the Crown, which at 30 June 2024 amounts to \$6 million; and
- Secondly, an indemnity from the Crown covering, amongst other things, the Company's financial exposure under the Package.

In addition to this, on 26 August 2024, the Minister of Finance signed a letter of comfort stating that shareholding Ministers agree to continue Crown support for the Company to fulfil its objectives.

The Southern Response Board continues to actively monitor the Company's capital position to ensure the Company can continue to operate and meet its obligations.

## Our values

### Respect

We treat all our stakeholders with care, consideration, fairness and equity.

### Excellence

We are committed to excellence in everything we do. We are innovative, responsive, adaptive and continually raising the bar. We strive to set the standard against which others will be measured.

### Ownership

We hold ourselves accountable for our actions, take ownership, and deliver on our promises.

### Honour our promises

We stand by and deliver on all entitlements, rights and commitments AML has made to policyholders.

### Integrity

We demonstrate honesty, transparency, fairness, and objectivity in all our interactions.

### Passion

We strive, stand up for our customers' rights, and go the extra distance. We want to make a positive difference to people's lives as part of our contribution to the rebuild of Canterbury.

### Recognition

We recognise and celebrate the contributions our people make as individuals and as teams to deliver on our goals.

### Development

We professionally develop our people to provide challenging and rewarding employment and prospects.

## Board of Directors

### Alister James – Chair

Alister is an experienced lawyer, currently practising as a Barrister. Alister has had previous experience in local government and health, as a former Christchurch City Councillor serving for twenty years, including as Chair of the Strategy and Finance Committee, and a former Member and Chair of the Canterbury District Health Board. Alister is a former director and Chair of Christchurch City Holdings Limited (Council holding company for Orion, Lyttelton Port, Christchurch International Airport, and other commercial interests), and formerly the independent Chair of the Greater Christchurch Public Transport Joint Committee. Alister was formerly a Commissioner on the NHC Board.

Alister has had wide experience in the community and voluntary sector, and became a Companion of the Queen's Service Order (QSO) in the 2004 New Year Honours List for community services. He has also served as a British Honorary Consul.

Following the February 2011 earthquakes, Alister's own home in Central Christchurch was severely damaged and demolished two months later. He understands from personal experience the difficulties faced by other residents following the earthquakes.

### Aedean Boadita-Cormican – Director

Originally from Ireland, Aedean is a Barrister, based in Wellington and a chartered member of the Institute of Directors.

Aedean has governance experience at NGOs and extensive commercial and senior in-house legal and leadership experience in New Zealand and overseas. Her New Zealand roles have included Senior Crown Counsel at Crown Law, General Counsel & Company Secretary at ACC, and Acting Treasury Solicitor. At ACC Aedean led initiatives to develop customer-centric claims resolution and litigation practices and policies, in close consultation with customer advocates and legal representatives.

She is committed to supporting fair settlement of outstanding claims by Southern Response through a customer-centric approach, and establishing effective arrangements for the management of legacy issues.

### Bevan Killick – Deputy Chair

Christchurch born and educated, Bevan Killick is a chartered accountant, a chartered insurance practitioner (UK) and a chartered member of the Institute of Directors.

During his professional career, Bevan held senior positions in the Lloyd's Insurance Market for 12 years. Christchurch based, Bevan is an experienced professional director. He is Chair of Tiaki Toa Limited (establishing an iwi insurer for Ngāti Toa Rangatira) and the Defence Employer Support Council. He is a member of the Defence Industry Advisory Council, is a director of Gurkhas Australia and is an honorary Captain in the Royal New Zealand Navy. Bevan is a Trustee of the Navy Museum and the NZUK Link Foundation and serves as the British Honorary Consul for Christchurch.

In the post-earthquake era Bevan also worked with Recover Canterbury, the organisation responsible for helping businesses recover from the Canterbury earthquakes.

### Fiona Pimm – Director

Fiona has extensive experience in governance and strategy roles in the health, government, and NGO sectors, and also with local iwi and runanga.

Fiona is interested in bringing different perspectives to the work of Southern Response, and she has experience in leading an organisational closure.

Fiona is of Ngāi Tahu descent with affiliation to Arowhenua.

## Governance and remuneration

Southern Response is incorporated as a limited liability company under the Companies Act 1993, and is listed in Schedule 4A of the Public Finance Act 1989, which automatically makes it subject to many of the provisions of the Crown Entities Act 2004.

The Company became a Crown owned company on 5 April 2012 when its shareholders became the Minister of Finance and the Minister supporting Greater Christchurch Regeneration. On 5 April 2012 the Company's name changed from AMI Insurance Ltd to Southern Response Earthquake Services Ltd.

### Company Activities

Until the sale of its fire and general insurance business to IAG (NZ) Holdings Limited on 5 April 2012, the Company's principal activities, while operating under the name AMI Insurance, comprised the writing of fire and general business for the domestic property insurance market in New Zealand.

At 5 April 2012, the Company's principal activities changed to the management and settlement of insurance claims made by AMI policyholders relating to the Canterbury earthquake events up to 5 April 2012.

The Company no longer carries out any underwriting business and its reinsurance contracts are extinguished.

### Governance Framework

The Company's governance framework is designed to ensure that the Company is effectively managed and that its statutory obligations are met. The governance framework ensures a clear understanding of the separate roles of the Board and Management, and demonstrates a shared commitment to the Company's purpose. To enhance efficiency, the Board had delegated to the Chief Executive, the day to day leadership and management of the Company.

The Board operates under Treasury's Owner's Expectations Manual which sets out the Ministers' expectations of the Board, including the reporting, accountability and financial governance expectations.

### Board of Directors

The Board's duties, functions, and powers are governed by the Companies Act 1993, Southern Response's Constitution, the Crown Entities Act 2004, the Company's Statement of Intent, Statement of Performance Expectations and the Shareholders' Letter of Expectations.

The Crown Entities Act imposes the obligation on the Board to ensure that the Company operates in a manner consistent with its objectives, functions and Statement of Intent.

### Directors

Under the Constitution adopted on 5 April 2012 (with subsequent amendments since this date), the Board is appointed by shareholding Ministers and can comprise between three to seven non-executive directors, including the Chair. As at 30 June 2024, there were four non-executive directors of the Company whose appointment dates and terms are detailed in the following table.

Director	Position	Term
<b>Alister James</b> Christchurch-based barrister	Non-Executive Chair	Appointed 20 December 2018 Reappointed 1 July 2019 Reappointed 1 July 2022 Reappointed 1 July 2024 Term Ends 30 June 2026
<b>Bevan Killick</b> Christchurch-based professional director	Non-Executive Deputy Chair	Appointed 5 April 2012 Reappointed 1 July 2013 Reappointed 1 July 2015 Reappointed 1 July 2017 Reappointed 1 July 2020 Appointed Deputy Chair 22 December 2021 Reappointed 1 July 2024 Term Ends 30 June 2026
<b>Aedeen Boadita-Cormican</b> Wellington-based barrister	Non-Executive Director	Appointed 22 December 2021 Reappointed 1 July 2024 Term Ends 30 June 2026
<b>Fiona Pimm</b> Christchurch-based professional director	Non-Executive Director	Appointed 22 December 2021 Reappointed 1 July 2024 Term Ends 30 June 2026

### Board Committees

The Board specifically delegates some of its roles to the Audit & Risk Committee under formal terms of reference, which specify the Committee's role, responsibility, and delegated authorities. The Audit and Risk Committee is chaired by Bevan Killick and all directors serve on this Committee.

### Disclosure of Interests by Directors

The Board is conscious of its obligation to ensure directors avoid conflicts of interest (both real and perceived) between their duty to Southern Response and their own interests. Directors are required to ensure they immediately advise the Board of any new or changed relationships, and these are recorded in the Board's interests register. The Treasury are also notified when changes are recorded in the register.

In accordance with the Companies Act 1993, the Board maintains an up-to-date interest register to ensure conflicts of interest are avoided. The following table details new interests or cessations of interests of current directors recorded in the interests register during the year ended 30 June 2024.



Director	Entity	Relationship
Alister James	NHC Toka Tū Ake	Ceased as Commissioner
Bevan Killick	Tiaki Toa Limited	Appointed as Director
	National Museum of the Royal New Zealand Navy	Appointed as Trustee
	Christchurch City Council – Health, Safety and Wellbeing Committee	Ceased as Member
Aedeon Boadita-Cormican	Board of Administration, Wellington Archdiocese	Ceased as Member
	Wellington Girls' College	Ceased as Member
Fiona Pimm	Te Aka Whai Ora	Ceased as Director
	Māori Advisory Committee for the Office of the Auditor General	Appointed as Member
	Ngai Tahu Holdings Corporation	Appointed as Director

There have been no interests registered by directors in transactions during the financial year ended 30 June 2024. Related party transactions in relation to Alister James' position as a Commissioner of NHC are disclosed in Note 11 of the Financial Statements.

#### Indemnities and Insurance

As permitted by Southern Response's Constitution, deeds of indemnity have been given to directors for potential liabilities and costs they may incur for actions or omissions in their capacity as directors.

The Company has directors' and officers' liability insurance in place to cover risks usually covered by such policies. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions. The insurance premium paid during the year ended 30 June 2024 was \$215,950 (excl. GST) relating to cover for the period 1 July 2023 to 30 June 2024.

#### Use of Company information

During the year, the Board received no notices from the directors requesting to use company information received in their capacity as directors and which would not otherwise have been available to them.

#### Service Critical Assets

Southern Response has identified no service critical assets in line with the reporting requirements in CO (23) 9.

#### Director Remuneration

The shareholding Ministers have approved the base ordinary directors' fees of \$72,000 (Chair), \$45,000 (Deputy Chair) and \$36,000 (Director).

	2024 \$	2023 \$
Alister James	72,000	72,000
Bevan Killick	45,000	45,000
Aedeon Boadita-Cormican	36,000	36,000
Fiona Pimm	36,000	36,000
	<b>189,000</b>	<b>189,000</b>

#### Board Meeting Attendance

The below table summarises the meetings held by the Board during the year and the directors' attendance during each of their tenures.

Director	Board meetings — 8	Audit & Risk Committee meetings — 6
Alister James	8	6
Bevan Killick	8	6
Aedeon Boadita-Cormican	8	5
Fiona Pimm	8	6

#### Board Development and Training Expenses

The Company spent \$7,257 on director development and training and associated travel costs during the year ended 30 June 2024 (2023: \$10,139).

### Senior Executive Remuneration

The remuneration earned and payable for Casey Hurren as Chief Executive for the year ended 30 June 2024 was:

	Fixed Remuneration		
	Base salary paid	Benefits	Total Remuneration
Casey Hurren	403,656	12,625	416,281

Benefits include 3% KiwiSaver contribution and sundry benefits. The Chief Executive does not have a pay performance component to his remuneration

### Employee Remuneration

Remuneration band	2024	2023
	Number of employees	
\$410,000 pa – \$419,999 pa	1	1
\$300,000 pa – \$309,999 pa	–	1
\$290,000 pa – \$299,999 pa	2	–
\$200,000 pa – \$209,999 pa	1	–
\$190,000 pa – \$199,999 pa	–	1
\$180,000 pa – \$189,999 pa	1	1
\$170,000 pa – \$179,999 pa	1	–
\$160,000 pa – \$169,999 pa	–	1
\$120,000 pa – \$129,999 pa	–	1
\$110,000 pa – \$119,999 pa	1	–
\$100,000 pa – \$109,999 pa	4	1

The table above shows the number of employees and former employees who received remuneration in excess of \$100,000 during the year ended 30 June 2024.

Remuneration includes salary, employer's contributions to kiwisaver and other sundry benefits received in their capacity as employees or former employees of the Company, excluding directors.

### Employee redundancies

Nine employees were made redundant during the 2024 financial year (2023: nil). The total value of compensation paid to these employees in relation to their redundancies was \$248,628 (2023: nil).

### Glossary of terms as used in this report

Overcap:	At the time of the Canterbury Earthquake Sequence, NHC insured the first \$100,000 + GST (\$115,000) of damage to a house (the 'cap') for each earthquake event. NHC pays its contribution for each event and the private insurance company takes over responsibility for managing and settling the claim and paying the amount in excess of the cap that is 'overcap'.
Out-of-Scope:	An 'out-of-scope' claim is a claim made under the AMI policy for earthquake damage to property items "outside the scope" of the Earthquake Commission Act 1993 but covered under the wider definition of "house" in the AMI policy (which includes, for example, garages, fences, drive ways, paths and swimming pools).
Agency Agreement:	The Amended and Restated Agreement Relating to Management of Outstanding Canterbury Earthquake Claims between NHC and Southern Response.

From the start of the 2020 calendar year, Southern Response remains responsible for its Covered Claims, which are defined as:

- a) Any Retained Claim – any claim made by or on behalf of a policyholder under any customer insurance contract relating to any Retained Claim Event, irrespective of whether the claim is made prior to, on or after 5 April 2012.

*Retained Claim Event means the Canterbury earthquake events recognised by EQC<sup>4</sup> as occurring from 4 September 2010 through 9 October 2011; and any other event that occurred prior to, or was continuing in progress, as at 5 April 2012 which entitles Southern Response to make a reinsurance claim.*

- b) Any other claim for which Southern Response is or may be liable pursuant to Clause 13 of the IAG Sale Agreement (relating to customer insurance contract indemnities and retained claims not clear at 5 April 2012 – essentially claims for which AMI was entitled to make a reinsurance claim and which are being managed on its behalf by IAG).
- c) Any claim arising in respect of any Covered Insurance Contract.

*Covered Insurance Contract means any contract works or similar insurance policy under which Southern Response is or may be liable from time to time; and any other insurance policy under which Southern Response may be liable from time to time and which has been approved by the Crown (either individually or as a class of insurance business).*

<sup>4</sup> As previously noted, EQC has subsequently become NHC



# Financial Statements 2024

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## Statement of responsibility

In accordance with the Public Finance Act 1989, the Board of Southern Response Earthquake Services Limited accepts responsibility for:

- The preparation of financial statements and statement of performance and the judgements made in them.
- Establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial statements and the statement of performance.

In the Board's opinion, these financial statements and statement of performance fairly reflect the financial position and operations of Southern Response Earthquake Services Limited for the year ended 30 June 2024.

Signed on behalf of the Board:



**Alister James**  
Chair  
25 September 2024



**Bevan Killick**  
Deputy Chair  
25 September 2024

# Independent auditor's report

**TO THE READERS OF SOUTHERN RESPONSE EARTHQUAKE SERVICES LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2024**

The Auditor-General is the auditor of Southern Response Earthquake Limited (the Company). The Auditor-General has appointed me, Anthony Smith, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and the performance information of the Company on his behalf.

**Opinion**

We have audited:

- the financial statements of the Company on pages 18 to 33, that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including that include accounting policies and other explanatory information; and
- the performance information of the Company on pages 34 to 35.

In our opinion:

- the financial statements of the Company on pages 18 to 33:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2024; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand equivalent to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information on pages 34 to 35:
  - presents fairly, in all material respects, the Company's performance for the year ended 30 June 2024, including for each class of reportable outputs:
    - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 25 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information and we explain our independence.

**The Company's access to additional funding**

Without modifying our opinion, we draw attention to the disclosure

on page 22 of the financial statements about the going concern. As at 30 June 2024, the net liabilities of the Company (\$129 million) exceed the limit of Crown funding available to the Company. The directors have concluded that the going concern assumption is appropriate given the funding arrangements described in note 4 and 5 of the financial statements. Those arrangements include uncalled share capital of \$6 million and further demands on the Indemnity. Given this, on 26 August 2024, the Minister of Finance issued a letter of comfort stating that the Crown will continue to support the Company by agreeing in principle to provide a further indemnity under 65ZD of the Public Finance Act 1989.

**Uncertainties associated with the insurance liabilities**

Also without modifying our opinion, we draw attention to note 9 of the financial statements, stating that there is considerable uncertainty surrounding the projection and valuation of insurance liabilities.

We consider the disclosure of the above items to be adequate.

**Basis for our opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

**Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors are responsible on behalf of the Company for preparing financial statements and performance information that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors are responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Public Finance Act 1989 and the Crown Entities Act 2004.

**Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Company's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, 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.
- We 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors. We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors 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 statements and the performance information 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.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of 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.

Our responsibilities arise from the Public Audit Act 2001.

**Other Information**

The Board of Directors are responsible for the other information. The other information comprises of the information included on page 2 to 15 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

**Independence**

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Company.



**Anthony Smith  
Deloitte Limited**

On behalf of the Auditor-General  
Christchurch, New Zealand

# Statement of comprehensive income

For the year ended 30 June 2024

		2024	2024	2023
	Note	Budget Unaudited \$000	Actual \$000	Restated Actual* \$000
Insurance service expenses	9	-	(52,993)	(16,503)
Insurance finance expense	9	(4,393)	(452)	900
<b>Net insurance result</b>		<b>(4,393)</b>	<b>(53,445)</b>	<b>(15,603)</b>
Revenue – Crown Indemnity	5	43,000	31,100	40,000
Investment income and expenses	2	1,299	1,672	1,360
Other operating expenses		(5,001)	(4,656)	(5,794)
Gain on sale or disposal of plant and equipment		-	1	-
<b>Profit/(Loss) for the year before tax</b>		<b>34,905</b>	<b>(25,328)</b>	<b>19,963</b>
Tax expense	3	-	-	-
<b>Profit/(Loss) for the year</b>		<b>34,905</b>	<b>(25,328)</b>	<b>19,963</b>
<b>Total comprehensive profit/(loss) for the year</b>		<b>34,905</b>	<b>(25,328)</b>	<b>19,963</b>

\*Restated on adoption of NZ IFRS 17 Insurance Contracts

The accompanying notes and accounting policies form an integral part of the financial statements.

# Statement of changes in equity

For the year ended 30 June 2024

2024	Note	Ordinary Share Capital \$000	Accumulated Losses \$000	Total Equity/ (Deficit) \$000
Opening balance 1 July 2023 (restated)		1,423,939	(1,555,810)	(131,871)
Total comprehensive profit/(loss) for the year		-	(25,328)	(25,328)
Call on uncalled ordinary shares	4	28,000	-	28,000
Closing balance 30 June 2024		1,451,939	(1,581,138)	(129,199)
2023	Note	Ordinary Share Capital \$000	Accumulated Losses \$000	Total Equity/ (Deficit) \$000
Opening balance 1 July 2022		1,368,939	(1,567,211)	(198,272)
Restatement adjustment*		-	(8,562)	(8,562)
Restated opening balance 1 July 2022		1,368,939	(1,575,773)	(206,834)
Total comprehensive profit for the year (restated*)		-	19,963	19,963
Call on uncalled ordinary shares	4	55,000	-	55,000
Closing balance 30 June 2023 (restated*)		1,423,939	(1,555,810)	(131,871)

\*Restated on adoption of NZ IFRS 17 Insurance Contracts

The accompanying notes and accounting policies form an integral part of the financial statements.

# Statement of financial position

As at 30 June 2024

	Note	2024 Budget Unaudited \$000	2024 Actual \$000	2023 Restated Actual* \$000
<b>Shareholders' equity</b>				
<b>Total shareholders' deficit</b>		(55,943)	(129,199)	(131,871)
<b>Represented by:</b>				
<b>Assets</b>				
Financial assets				
Cash and cash equivalents	6	28,445	32,175	43,118
Receivables	8	-	2,839	1,439
Plant and equipment		43	44	851
<b>Total assets</b>		28,488	35,058	45,408
Less:				
<b>Liabilities</b>				
Trade and other payables		2,957	2,825	1,266
Employee entitlements		-	243	382
Lease liability		-	-	851
Insurance contract liabilities	9	81,474	161,189	174,780
<b>Total liabilities</b>		84,431	164,257	177,279
<b>Net liabilities</b>		(55,943)	(129,199)	(131,871)

## On behalf of the Board

Alister James, Chair

Bevan Killick, Deputy Chair

Financial statements authorised for issue on 25 September 2024.

\*Restated on adoption of NZ IFRS 17 Insurance Contracts

The accompanying notes and accounting policies form an integral part of the financial statements.

# Statement of cash flows

For the year ended 30 June 2024

	Note	2024 Budget Unaudited \$000	2024 Actual \$000	2023 Actual \$000
<b>Cash flows from operating activities</b>				
Interest received		1,299	1,673	1,465
Proceeds from Crown Indemnity		43,000	31,100	115,000
EQ run-off claim payments		(37,631)	(37,605)	(29,687)
Package claim payments		(47,485)	(22,714)	(95,439)
Payments to suppliers and employees		(8,108)	(11,398)	(13,202)
Income tax paid		-	-	-
<b>Net cash inflow/(outflow) from operating activities</b>	7	(48,925)	(38,944)	(21,863)
<b>Cash flows from investing activities</b>				
Proceeds on sale of plant and equipment		-	1	-
Payments for plant and equipment		-	-	(27)
<b>Net cash inflow/(outflow) from investing activities</b>		-	1	(27)
<b>Cash flows from financing activities</b>				
Proceeds from the uncalled capital facility		34,000	28,000	55,000
<b>Net cash inflow from financing activities</b>		34,000	28,000	55,000
<b>Net increase/(decrease) in cash and cash equivalents</b>		(14,925)	(10,943)	33,110
Add opening cash and cash equivalents		43,370	43,118	10,008
<b>Ending cash and cash equivalents</b>	6	28,445	32,175	43,118

The accompanying notes and accounting policies form an integral part of the financial statements.

# Notes to the financial statements

For the year ended 30 June 2024

## Reporting entity

Southern Response Earthquake Services Limited (the 'Company') is a limited liability company incorporated and domiciled in New Zealand and registered under the Companies Act 1993 and is a Crown-owned company listed in schedule 4A of the Public Finance Act 1989.

The registered office for the Company is located at 53 Princess Street, Riccarton, Christchurch. The Company's principal business is to manage the settlement of claims from AMI Insurance policy holders arising from the Canterbury earthquakes occurring between 4 September 2010 and 5 April 2012.

## Basis of preparation

The financial statements have been prepared:

- In accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and in accordance with the Financial Reporting Act 2013 and the Companies Act 1993. They comply with the New Zealand equivalents to IFRS Accounting Standards (NZ IFRS), International Financial Reporting Standards (IFRS) and other applicable financial reporting standards as appropriate for-profit oriented companies.
- On a historical cost basis, except for certain assets which have been measured at fair value and insurance liabilities have been measured in accordance with NZ IFRS 17 Insurance Contracts.
- In New Zealand dollars and unless specifically stated otherwise are rounded to the nearest thousand dollars (\$'000). The functional currency of the Company is New Zealand dollars (NZ\$).

## Going concern

As at 30 June 2024 the liabilities of the Company exceeded its assets. The directors have considered the appropriateness of the financial statements being presented on a going concern basis and have concluded that the going concern assumption is appropriate given the funding arrangements entered into with the Crown (notes 4 and 5).

## Presentation format

The statement of financial position is presented broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

## Budget figures

The unaudited budget figures are derived from the Company's 2023-24 Statement of Performance Expectations as approved by the Board before the start of the financial year. The budget figures have been prepared under the same basis the financial statements, with the exception of the insurance liabilities which have been measured in accordance with NZ IFRS 4 Insurance Contracts.

## Material accounting policies

### Insurance Contracts

The Company makes estimates and assumptions in respect of certain liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key area in which critical estimates and judgements are applied is detailed in note 9 – insurance contract liabilities.

### Other accounting policies

Other accounting policies have been adopted in the preparation and presentation of the financial statements. These are provided alongside the relevant notes to the financial statements.

## 1. Specified cost disclosures

Specific costs included in claims handling expenses:

	2024	2023
	\$000	\$000
Employee benefit expenses <sup>1</sup>	3,896	3,603
Depreciation	27	26
KiwiSaver <sup>2</sup>	111	105
External audit fees	230	194

### <sup>1</sup>Accounting policy for short-term employee benefits

Liabilities for salaries (including non-monetary benefits), annual leave, redundancy payments and accumulated sick leave are recognised in respect of employee services up to the reporting date. They are measured at the amount expected to be paid when the liabilities are settled.

### <sup>2</sup>Accounting policy for employer contributions to KiwiSaver

Where employees have elected to join a KiwiSaver superannuation scheme, the Company complies with all applicable legislation in making employer contributions to these schemes. Obligations for contributions are recognised in profit or loss as they become payable.

## 2. Investment income

Interest income is recognised using the effective interest rate method.

	2024	2023
	\$000	\$000
Interest income	1,672	1,465
Interest expense	-	(105)
Total investment income	1,672	1,360

### 3. Income tax

#### Accounting policy for current income tax

The current income tax asset or liability for the current and prior periods is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute this amount are those that are enacted or substantively enacted by the reporting date.

Current tax attributable to amounts recognised directly in equity is also recognised directly in equity.

	2024	Restated 2023
Tax	\$000	\$000
Profit/(Loss) before tax	25,398	19,962
Tax at applicable rate of 28%	(7,111)	5,589
Non-taxable/deductible items	-	1
Deferred tax not recognised	(181)	37
Prior period adjustment	-	-
Tax losses (utilised)/not recognised	7,292	(5,627)
Current tax expense	-	-
<b>Imputation credit account:</b>		
Closing balance	196	196
<b>Deferred tax asset</b>		
The balance comprises temporary differences attributable to:	2024	2023
	\$000	\$000
Property, plant and equipment	124	144
Employee provisions and accruals	32	82
Other provisions and accruals	535	677
Deferred tax benefit not recognised	(691)	(903)
Net deferred tax asset	-	-

Taxation losses totalling \$1,322 million (tax effect \$371 million) have not been recognised (2023: tax losses \$1,296 million, tax effect \$363 million).

#### Accounting policy for deferred income tax

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

### 4. Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Transaction costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

As the Company requires additional capital to meet its claims payment obligations it can access a further \$6 million of capital from the Crown (2023: \$34 million).

	2024	2024	2023	2023
	Number of shares	\$000	Number of shares	\$000
<b>Ordinary shares:</b>				
Balance 1 July	951,000,102	1,423,939	896,000,102	1,368,939
Paid ordinary shares (from the uncalled capital facility)	28,000,000	28,000	55,000,000	55,000
Balance 30 June	979,000,102	1,451,939	951,000,102	1,423,939
<b>Uncalled ordinary shares:</b>				
Balance 1 July	34,000,000	-	89,000,000	-
Called shares	(28,000,000)	-	(55,000,000)	-
Balance 30 June	6,000,000	-	34,000,000	-

The issue price of the uncalled ordinary shares (yet to be called) is \$1 per share.

The Company may issue a call notice for any number of uncalled ordinary shares. On payment the shares will be designated as paid ordinary shares.

### 5. Crown Indemnity and future funding

The Crown, through the Minister of Finance, entered into a Deed of Indemnity dated 26 September 2018 that was amended and restated on 28 June 2019 and extended on 11 December 2020 (the 'Indemnity'). Under the Indemnity the Crown agrees to indemnify the Company in relation to any present or future legal proceeding or claim against the Company that the Company and the Crown have agreed is covered by the Indemnity. The Indemnity covers, among other things, the Company's financial exposure under the Crown Package (discussed in note 9) and is not capped at any monetary amount.

During the current financial year, a total of \$31.1 million Indemnity funds (2023: \$40.0 million) were recognised as revenue.

The Company's forecasts indicate that further demands on the Indemnity will be made as required in future periods. Such amounts will be recognised as revenue when the Crown agrees to pay the claim.

At 30 June 2024 the Company's net liabilities exceed the limit of Crown funding available to the Company. On 26 August 2024, the Minister of Finance signed a letter of comfort stating that shareholding Ministers agree to continue Crown support for the Company to fulfil its objectives and agreed in principle to give the Company a further indemnity under 65ZD of the Public Finance Act 1989.



## 6. Cash and cash equivalents

Cash and cash equivalents includes cash at bank, deposits on call and other short-term, highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

As part of its investment strategy, the Company actively manages its cash and cash equivalents to ensure that deposits mature in accordance with the expected pattern of future cash flows arising from the outstanding claims liability.

	2024	2023
	\$000	\$000
<b>Cash and cash equivalents</b>		
Cash held for operational purposes	7,883	15,928
Cash on call and short-term bank deposits	24,292	27,190
Total cash shown in the statement of cash flows	32,175	43,118

## 7. Cash flows from operating activities

Reconciliation of the profit/loss for the year to cash outflow from operating activities:

	2024	Restated 2023
	\$000	\$000
Profit/(Loss) for the year	(25,398)	19,962
Add/(less) non-cash items:		
Depreciation and amortisation	27	210
Time value adjustment – leases	-	104
Sub-total "A"	(25,371)	20,276
Movement in working capital items:		
(Increase)/decrease in receivables	(1,400)	84,995
Increase/(decrease) in payables	1,559	(11,235)
(Decrease)/increase in employee entitlements	(139)	54
(Decrease) in insurance liabilities	(13,592)	(115,953)
Sub-total "B"	(13,572)	(42,139)

Items classified as investing activities & financing activities:

Net (gain)/loss on sale of property, plant and equipment	(1)	-
Sub-total "C"	(1)	-
Cash outflow from operating activities (A+B+C)	(38,944)	(21,863)

## 8. Receivables

	2024	2023
	\$000	\$000
Receivables	1,912	174
GST refund due	927	1,265
Total Receivables	2,839	1,439

## 9. Insurance contracts

The Company's portfolio of insurance contracts consists of general insurance policies held by AMI Insurance customers who are entitled to make a claim under their policy for the Canterbury earthquake events that occurred between 4 September 2010 and 5 April 2012. The Company no longer carries out any underwriting business and its reinsurance contracts are extinguished. The Company therefore has no insurance service income or insurance asset.

### Insurance service expenses

Insurance service expenses include changes in the estimated future cashflows relating to the liability for incurred claims, and changes in the risk adjustment.

### Insurance finance expenses

Insurance finance expenses comprise the change in the carrying amount of the liability for incurred claims arising from the effect of the change in the time value of money.

### Liability for incurred claims

Insurance contract liabilities solely comprises liability for incurred claims (LIC). LIC is the Company's obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses.

The LIC is measured as the estimate of future cash flows that arise from a substantive obligation under a group of insurance contracts, discounted for the time value of money, then adjusted to reflect the compensation for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk.

Below is an analysis of the amounts presented on the statement of financial position for insurance contract liabilities by managed portfolio and the current/non-current portions of the balances.

	Earthquake Run-off	Crown Package	Total 2024	Restated 2023
	\$000	\$000	\$000	\$000
Estimate of undiscounted ultimate claims	3,405,392	246,199	3,651,591	3,606,177
Cumulative claims paid	(3,301,642)	(236,455)	(3,538,097)	(3,477,397)
<b>Future cash flows – claim payments</b>	<b>103,750</b>	<b>9,744</b>	<b>113,494</b>	<b>128,780</b>
Future cash flows – claims handling expense	18,191	3,338	21,529	20,500
Discount of future cash flows to present value	(12,689)	(359)	(13,048)	(13,500)
<b>Discounted future cash flows</b>	<b>109,252</b>	<b>12,723</b>	<b>121,975</b>	<b>135,780</b>
Risk adjustment	37,116	2,098	39,214	39,000
<b>Liability for incurred claims</b>	<b>146,368</b>	<b>14,821</b>	<b>161,189</b>	<b>174,780</b>
Current portion	50,163	14,231	64,394	69,065
Non-current portion	96,205	590	96,795	105,715

### Significant judgements and estimates in applying NZ IFRS 17

In measuring the fulfilment cash flows (FCF) of the LIC, the estimation of the number of incurred but not reported claims and

the ultimate cost of all unfulfilled claims involves a number of key assumptions and is the most significant accounting estimate.

### Key assumptions

	2024	2023
Risk adjustment		
EQ claims run-off	33.9%	31.8%
Payment package	16.7%	19.2%
Average weighted term to settlement (in years)		
EQ claims run-off	2.2	2.1
Payment package	0.4	0.9

## Process to determine estimates and assumptions

### Estimates of future cash flows to fulfil insurance contracts

Estimated claim payment patterns have been used to determine the liability for incurred claims. The payment patterns adopted are based on the best estimate of when the payments are likely to be made. Assumptions used to develop estimates about future cash flows are determined separately for payments in relation to the Package and the remaining run-off of earthquake claims. These assumptions are listed below. The assumptions are reassessed at each reporting date and adjusted where required. The assumptions have not changed in the current financial year.

#### • Earthquake run-off claims

Most outstanding earthquake run-off claims are overcap<sup>1</sup> in nature. The key uncertainty in deriving the liability for incurred claims is estimating the quantity of future overcap claims that are not yet reported. A projected settlement size for the reported and not yet reported claims is estimated using the Company's cost assessment data and recent trends in historic settlement values relative to cost assessments.

#### • Package payments

The group of policyholders entitled to a settlement under the Package is known by the Company and the principles behind the calculation of their entitlements are well defined. The uncertainty lies in the ultimate take-up rate of the Package (i.e. how many eligible policyholders will receive a Package settlement).

### Claims handling expenses

A provision for claim handling expenses is included in the future cash flows that make up the LIC. These are the forecasted direct costs of administering the claims, plus an allocation of fixed and variable overheads that are considered directly attributable to fulfilling insurance contracts. This overhead allocation is based on the proportion of direct claims handling personnel engaged by the Company (i.e. for back-office personnel costs, rent and depreciation), or based on the outputs generated by the overhead function (such as internal audit, actuarial services and other consultancy costs).

### Allowance for uncertainty – the risk adjustment

The risk adjustment represents the level of compensation required such that the Company would be indifferent between a certain compensation and the uncertain insurance liabilities. The Company has taken a confidence level approach and has expressed the risk adjustment as a percentage of the discounted liability for incurred claims. The level of risk adjustment is intended to achieve 75% probability of adequacy.

### Discounting

Future cash flows are considered illiquid, as policyholders have limited avenues to receive an upfront or earlier payment after lodging a claim. The Company has therefore adopted the bottom-up approach method to determine the discount rate applied to future cash flows. The discount rate is based on the selected risk-free discount rate, plus a duration appropriate illiquidity premium.

The yield curves that were used to discount the estimates of future cash flows are as follows:

	2024	2023
1 year	5.42%	5.66%
5 years	5.10%	5.44%
10 years	5.23%	5.35%

### Sensitivity analysis – impact of changes in key risk variables

The impact on the profit or loss of change in key assumptions on the valuation of insurance liabilities are shown in the table below

for the Company. Each change has been calculated in isolation to other changes.

	Change in Variable	2024 (Increase)/decrease in profit \$000	Change in Variable	2023 (increase)/decrease in profit \$000
Claims handling expense	+10%	2,173	+10%	2,299
	-10%	(2,173)	-10%	(2,299)
Future overcap numbers	+20%	12,718	+20%	12,682
	-20%	(12,718)	-20%	(12,682)
Package take-up rate	+1.0%	2,909	+2.5%	7,803
	-1.0%	(2,883)	-2.5%	(7,803)
Estimated cost of remaining Package payments	+20%	2,277	+10%	3,459
	-20%	(2,195)	-10%	(3,458)
Risk adjustment	+1%	1,208	+1%	1,356
	-1%	(1,208)	-1%	(1,356)
Discounting	+1% p.a.	(2,893)	+1% p.a.	(2,792)
	-1% p.a.	3,015	-1% p.a.	2,906

### Reconciliation of the liability for incurred claims

The tables below outline the movement in the liability for incurred claims for the reporting period.

	Earthquake Run-off 2024 \$000	Package 2024 \$000	Total 2024 \$000	2023 Restated \$000
Opening LIC balance at 1 July	135,332	39,448	174,780	290,734
<b>Insurance service expenses</b>				
changes that relate to past service – adjustments to the LIC	49,107	3,672	52,779	22,403
Change in the risk adjustment of the LIC	4,406	(4,192)	214	(5,900)
<b>Insurance service expenses</b>	<b>53,513</b>	<b>(520)</b>	<b>52,993</b>	<b>16,503</b>
<b>Insurance service result</b>	<b>53,513</b>	<b>(520)</b>	<b>52,993</b>	<b>16,503</b>
Finance expense from insurance contracts issued	(489)	941	452	(900)
<b>Total amounts recognised in comprehensive income</b>	<b>53,024</b>	<b>421</b>	<b>53,445</b>	<b>15,603</b>
<b>Cash flows</b>				
Claims paid	(38,030)	(22,714)	(60,744)	(125,224)
Claims handling expenses paid	(3,958)	(2,334)	(6,292)	(6,333)
<b>Total cash flows</b>	<b>(41,988)</b>	<b>(25,048)</b>	<b>(67,036)</b>	<b>(131,557)</b>
<b>Closing LIC balance at 30 June</b>	<b>146,368</b>	<b>14,821</b>	<b>161,189</b>	<b>174,780</b>
<b>Total insurance contract liabilities</b>	<b>146,368</b>	<b>14,821</b>	<b>161,189</b>	<b>174,780</b>

<sup>1</sup> At the time of the Canterbury Earthquake sequence, NHC insured the first \$100,000 + GST (\$115,000) of damage to a house (the "cap") for each earthquake event, NHC pays its contribution for each event and the private insurance company takes over responsibility for managing and settling the claim and paying the amount in excess of the cap that is "overcap".

### Insurance contracts – risk management policies and procedures

The Company is exposed to insurance risk in managing its insurance contracts, specifically, the risk of the timing and amount of the insured loss being different from expectation.

Policies and procedures are put in place to reduce the risk exposure of the Company. These policies ensure completion of a regular, detailed review of claims handling procedures and investigation of possible fraudulent claims. The Company has a policy of actively managing claims, to reduce its exposure to unpredictable future developments that can negatively impact the Company.

An internal audit function has been established to assess and report on compliance with policies and procedures.

Actuarial models, using information from the management information systems and external sources, are used to calculate the liability for incurred claims. Experience and statistical methods are used as part of this process.

### 10. Financial instruments – risk management policies and procedures

#### Financial instrument information and risk management

The key objective of the Company's financial risk management activities is to ensure that the financial assets are managed in accordance with the investment strategy set out in the Crown Support Deed and that sufficient liquidity is always maintained to meet insurance liabilities.

The Board has delegated the responsibility of monitoring financial assets to the Audit and Risk Committee.

#### Specific financial risks involving financial instruments other than insurance contracts

##### Interest rate risk

Interest rate risk is the risk that arises from fluctuating interest rates in the market. The Company is funded quarterly by the Crown, based on expected cash outflows for that quarter and typically keeps temporary surplus cash on Call or on maturity deposits with various financial institutions, with an ability under its Treasury policy to invest for up to six months.

##### Credit risk

Credit risk is the risk that a counterparty will fail to meet their contractual commitments in full and on time. Financial assets that subject the Company to credit risk principally consist of cash and cash equivalents and reinsurance receivables.

The maximum exposure to credit risk on receivables at reporting date is the carrying amounts on the statement of financial position.

Cash and cash equivalents are placed with high quality financial institutions and the amount of credit exposure to any one financial institution is limited. All of these financial institutions are rated 'AA-' or better by Standard & Pools.

Receivables represent amounts owing by debtors for insurance claim recoveries. All amounts are considered to be fully recoverable.

##### Liquidity risk

The Company's Audit and Risk Committee and treasury function monitor cash flow forecasts and liquidity levels to ensure sufficient funds are available to meet obligations as they fall due. Requests for funding are submitted to the Crown quarterly in accordance with the Crown Support Deed and the Crown indemnity (refer to notes 4 and 5).

Insurance liabilities for incurred claims have been determined based on expected payment patterns.

### Liquidity table

	Liability for incurred claims – EQ Run-off		Liability for incurred claims – Package		Cash, term deposits and receivables	
	2024	2023 restated	2024	2023 restated	2024	2023
	\$000	\$000	\$000	\$000	\$000	\$000
Cash and cash equivalents	-	-	-	-	32,175	43,118
Within 1 year	37,359	42,083	14,179	27,070	2,838	1,439
Within 1 to 2 years	39,439	36,876	643	11,987	-	-
Within 2 to 3 years	32,058	20,680	-	391	-	-
Within 3 to 4 years	17,109	13,675	-	-	-	-
Within 4 to 5 years	9,917	10,778	-	-	-	-
5+ years	10,485	11,240	-	-	-	-
	146,367	135,332	14,822	39,448	35,013	44,557

### 11. Related party transactions

#### Remuneration of key management personnel

Key management personnel are executive managers who have authority and responsibility for planning, directing and controlling the activities of the Company, as well as the Directors of the Company.

Key management personnel include the Company's Chief Executive and Directors of the Company.

	2024	2023
	\$000	\$000
Remuneration of key management personnel:		
Short term employee benefits	416	424
Director fees	189	189
Total	605	613

The shareholding Ministers approved the base ordinary directors' fees of \$72,000 (chair), \$45,000 (deputy chair) and \$36,000 (director).

#### Directors interested transactions

The Chair, Mr Alister James, was a Commissioner of NHC up until 30 April 2024. Transactions with NHC during the year have been carried out on an arms-length basis and include ongoing management by NHC of customer claims under an agency arrangement for which \$1,477,783 (2023: \$1,402,126) has been paid or invoiced, and license to occupy arrangements at NHC premises for which the Company has been charged \$251,546 (2023: \$251,546).

All transactions with other government agencies are not disclosed when they have been entered into on an arm's length basis as part of normal operating arrangements between government agencies.

## 12. Capital commitments

There were no capital commitments as at 30 June 2024 (2023: nil).

## 13. Contingent liabilities and assets

The Company from time to time receives notification of legal claims and disputes in relation to claim settlements as a commercial outcome of conducting its business. Where it is necessary and appropriate to do so, the Company defends all such claims.

## 14. Events after reporting date

On 26 August 2024, the Minister of Finance signed a letter of comfort stating that shareholding Ministers agree to continue Crown support for the Company to fulfil its objectives. Refer to note 5 for more detail.

Other than this, there have been no significant events after the reporting date that are not otherwise disclosed in these financial statements.

## 15. New standards and interpretations

NZ IFRS 17 Insurance Contracts has been adopted by the Company for the first time for the financial year beginning on 1 July 2023. The transition to the new standard was done under the full retrospective approach where the identification, recognition, measurement and disclosure of insurance contracts was carried out as if NZ IFRS 17 had always been applied, and all transitional adjustments were recognised through retained earnings. The opening balance sheet (1 July 2022) and prior year comparatives (financial year ending 30 June 2023) have been restated under NZ IFRS 17, applying the transitional provisions in Appendix C to NZ IFRS 17. NZ IFRS 17 has introduced changes in the presentation of both the statement of comprehensive income and statement of financial position, as well as introducing more granular disclosure requirements.

The adoption of NZ IFRS 17 did not change the classification of the Company's insurance contracts. However, it has changed the measurement and disclosure requirements of those insurance contracts. The key changes were: 1) incorporating an allocation of overheads in the future cashflows of the liability for incurred claims and 2) higher discount rates reflecting the inclusion of an illiquidity premium. Refer to note 9 for more detail.

The Company has applied the transition requirements in NZ IFRS 17 and has disclosed the impact of the adoption of NZ IFRS 17 on each financial statement line item in the below reconciliation:

	Insurance liabilities \$000	Equity \$000
Opening balance 1 July 2022 under NZ IFRS 4	282,172	198,272
Include allocation of overheads in future cash flows	9,231	(9,231)
Recalculate discounting	(2,230)	2,230
Adjust risk adjustment to account for changes above	1,562	(1,562)
Total adjustment on transition to NZ IFRS 17	8,562	(8,562)
Restated balance 1 July 2022 under NZ IFRS 17	290,734	206,834

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company. Those considered relevant to the Company and their effective dates for the Company are:

- NZ IAS 8 amendments to definition of accounting estimates 30 June 2025
- NZ IAS 1 amendments to classification of liabilities as current and non-current 30 June 2025
- FRS-44 amendments to disclosure of fees for audit firms' services 30 June 2025

Upon preliminary review Management do not expect the amendments to have a significant impact on the Company's financial statements, however the Company has not gone to the extent of determining the final impact of these standards.

## 16. Explanation of significant variances against budget

As disclosed in note 9, the estimation of the ultimate cost of settling claims involves a number of key assumptions and is the most critical accounting estimate. The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty.

The 2024 financial year budget (together with the Statement of Performance Expectations) was approved by the Board in June 2023 and was based on the latest available actuarial valuation at that time. Insurance liabilities in the budget have been measured in accordance with NZ IFRS 4 Insurance Contracts, whereas actual results have been measured in accordance with NZ IFRS 17.

### Statement of comprehensive income

- The Crown income was lower than budget by \$12m due to lower than budgeted claim payments made during the year.
- The non-cash movements in the LIC during the year were \$49m more than budget due to an increase in the expected number of future claims and cost escalation of open claims.

### Statement of financial position

- The LIC has increased by \$73m since the preparation of the budget due to an increase in the expected number of future claims and lower than budgeted claim payments made.
- There is less cash on hand than budgeted due to the lower level of claim settlements.

### Statement of cash flows

- Claim payments are \$24m lower than budget due to number of settlements being lower than anticipated for the Package.

# Statement of performance

For the year ended 30 June 2024

The Company's core purpose is to resolve its customers' claims in a fair and enduring manner, within the terms of the insurance policy and in a financially effective and efficient way.

This will have been achieved once the insurance claims associated with the Canterbury earthquake events up until 5 April 2012 have been settled and the Company has discharged all of its obligations, including any obligations arising from its build programme and the resolution of any legal disputes and/or proceedings in respect of those settled claims. This includes the completion of the delivery of a package for eligible policyholders who cash settled with the Company prior to October 2014 (the 'Package').

The Package was announced by the Government in December 2020 in response to a court judgment and is intended to provide eligible policyholders who cash settled prior to October 2014 with an additional payment in relation to contingencies, interest and in certain circumstances, professional fees and a contribution towards legal fees. The Company's goal is to contact as many eligible policyholders as possible and ensure as high a take-up rate as possible is achieved.

The Outcomes and Achievement Measures reported below are from the Company's statement of performance expectations for the financial year ended 30 June 2024 which can be found on the Company's website: [www.southernresponse.co.nz/library/statements-of-performance-expectations](http://www.southernresponse.co.nz/library/statements-of-performance-expectations).

Outcome	Achievement Measures	Status at 30 June 2024	Status at 30 June 2023
1. Accurate and timely Package payments are made to eligible policyholders	The number of OOS offers calculated are in line with the Company's forecasts for the year; 2024: 7,125 / 95% of eligible claims 2023: Not a measure	<i>Achieved</i> – 7,647 offers calculated, 97% of eligible claims	<i>Not a measure</i>
	The number of offers presented to policyholders are in line with the Company's forecasts or the year; Overcap claims 2024: 2,600 / 96% of eligible claims 2023: 2,200 / 85% of eligible claims OOS claims 2024: 6,050 / 85% of eligible claims 2023: 3,000 / 40% of eligible claims	<i>Overcap: Achieved</i> – 96% of eligible claims <i>OOS: Achieved</i> – 6,093 offers presented	<i>Overcap: Achieved</i> – 2,424 offers presented <i>OOS: Not achieved</i> – 1,714 offers presented
	The number of offers payments made to policyholders are in line with the Company's forecasts for the year; Overcap claims 2024: 2,550 / 98% of offers presented 2023: 2,000 / 91% of offers presented OOS claims 2024: 4,530 / 75% of offers presented 2023: 2,700 / 90% of offers presented	<i>Overcap: Achieved</i> – 99% of offers presented <i>OOS: Achieved</i> – 5,646 claims, 93% of offers presented	<i>Overcap: Achieved</i> – 2,374 claims, 98% of offers presented <i>OOS: Not achieved</i> – 1,485 claims, 86% of offers presented
	Internal audit results report only minor or moderate findings in relation to Package business processes.	<i>Achieved</i>	<i>Achieved</i>
	Any internal reviews under the Package review process are completed within 60 days and where it is appropriate to do so, any findings from the internal and/or external review process are applied to the affected parts of portfolio.	<i>Achieved</i>	<i>Achieved</i>
	The Independent Oversight Committee has not reported any significant issues to the Crown.	<i>Achieved</i>	<i>Achieved</i>
	Customer satisfaction rates report that the majority of respondents are either satisfied or extremely satisfied with the timeliness of their settlement and with the quality of communication and involvement from Southern Response throughout their application process.	<i>Achieved</i>	<i>Not a measure</i>

Outcome	Achievement Measures	Status at 30 June 2024	Status at 30 June 2023
2. Notified Covered Claims are settled effectively	The number of claims reduces in accordance with the Company's actuarial forecasts for the year.	<i>Not achieved. The Company settled 149 Covered Claims (forecast 128) however had 108 Covered Claims open as at 30 June 2024 (forecast 100) due to becoming liable for more new claims than forecast during the year.</i>	<i>Not achieved. NHC and the Company managed to achieve 69% of the target for settled Covered Claims for the year. The shortfall was driven by a number of external factors outside of NHC or the Company's control.</i>
	The outcome of audits of NHC acting as the Company's agent at the end of the financial year record only minor or moderate findings.	<i>Achieved</i>	<i>Achieved</i>
	Customer satisfaction results are an improvement on the 2022-23 financial year results.	<i>Not specifically measured</i>	<i>Achieved</i>
3. Litigated claims and legal risks generally are appropriately managed	The Company has a clear understanding of its portfolio of claims that remain and also those that have settled.	<i>Achieved</i>	<i>Achieved</i>
	Where it is appropriate to do so, the Company has demonstrably offered alternative dispute resolution channels to customers when any form of litigation arises.	<i>Achieved</i>	<i>Achieved</i>
	The number of litigated claims reduces in accordance with the Company's actuarial forecasts.	<i>Achieved</i>	<i>Achieved</i>
4. Ongoing governance, financial and legal obligations are met	The Company is compliant with obligations arising from the Public Finance Act 1989, the Crown Entities Act 2004 and any other relevant legislation.	<i>Achieved</i>	<i>Achieved</i>
	Liquidity is managed in accordance with the investment management policy directed by the Crown, including reporting of actual and projected shortfalls in a timely manner.	<i>Achieved</i>	<i>Achieved</i>
	The Company achieves a positive audit report in relation to its management, financial and service performance, information systems and controls.	<i>Achieved</i>	<i>Achieved</i>
5. The continued wind-down of the Company through its final phase is effective and efficient	Organisational run down is in accordance with forecasts.	<i>Not achieved – operational timeframes have been extended beyond previous forecasts due to the continued inflow of new overcap claims.</i>	<i>Not achieved – operational timeframes have been extended beyond previous forecasts due to the continued inflow of new overcap claims.</i>
	Record of the Company's physical and intangible assets, residual rights, obligations and liabilities, and data holdings is maintained.	<i>Achieved</i>	<i>Achieved</i>

# Directory

## Shareholders

Minister for State Owned Enterprises  
Minister of Finance

## Registered Office

53 Princess Street, Riccarton, Christchurch 8041, New Zealand

## Office

Christchurch: PO Box 9052, Tower Junction,  
Christchurch 8149  
Phone: 0800 501 525  
Web: [www.southernresponse.co.nz](http://www.southernresponse.co.nz)

## Executive Management

Casey Hurren, Chief Executive

## Actuary

Finity Consulting Pty Limited

## Auditor

The Auditor-General pursuant to section 15 of the Public Audit Act 2001.  
Anthony Smith of Deloitte Limited is appointed to perform the audit on behalf of the Auditor-General.

## Banker

ANZ Bank of New Zealand Limited

## Legal Advisors

Bell Gully  
Buddle Findlay



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