

2024 VPIS Annual General Meeting

From the Chair

The 2022/23 year has again been a busy one for VPIS with some significant milestones being achieved. Last year Gavin Shepherd noted in his Chairman's Report that we finished the 2021/22 year just short of the required solvency capital target set by the Reserve Bank (RBNZ) as we no longer qualified as a small insurer. The RBNZ allowed 12 months forbearance and I'm pleased to report that we achieved that critical \$3 million solvency target, along with meeting a number of other compliance requirements expected of 'non-small' insurers. This will be covered more in the financial section.

During the year we also continued our changes at a governance level. Both Tanya Page and Gavin Shepherd retired from the Board at the end of September, and I would like to acknowledge their contributions to VPIS. Tanya joined the Board in 2017 and will continue to have valuable input as she is joining the Technical Advisory Group (TAG) and is still maintaining her busy role as an assessor.

Gavin has made a huge contribution to VPIS since joining the Board in 2007, both as a Board member and as an assessor. Since becoming Chairman in 2016 he has provided leadership and insightfulness as we navigated the challenges of regulatory change and other curveballs like Covid! Thanks Gavin, for a job well done.

During the year we undertook a comprehensive search for new Board members, resulting in four Board members being co-opted. They are: Ngaire Dixon (Clinic manager Christchurch A/H Clinic); Stephen Hopkinson (CEO Taranaki Vet Centre); Eric Judd (semi-retired actuarial consultant Wellington) and Mike Lange (CEO Vetora Waikato/BOP). They bring a combined range of veterinary, financial, insurance and governance backgrounds to their roles as VPIS Board members. We are already seeing the benefits of those perspectives and experience, which I feel bodes well for the future of VPIS.

VPIS has traditionally held a dedicated Board seat for the Association of Rural Veterinary Practices (ARVP) and Jim Rhynd has been an important member of our Board since 2014. With the changes mentioned above, VPIS held a Special General Meeting (SGM) in November where members voted on making this seat a general seat. Other outcomes from the SGM include extending Jim's term to September 2023 and the terms of Paul Fraser and myself to September 2025 to provide some continuity as the Board makes this major transition in governance.

TAG (Technical Advisory Group)

Traditionally it has been normal practice for the veterinarian Board members to act as claims assessors in their respective areas of practice experience – equine, companion animal and production animal. By doing so VPIS has been able to provide valued and relevant support to veterinarians at a stressful time. It has also meant VPIS had real awareness of areas of concern or potential concern to the profession directly available at the Board level.

With VPIS's evolution as a licensed insurer, it has become increasingly mindful of the need for separation between governance and operational assessor functions, particularly to avoid any perception of a conflict of interest. The importance of maintaining this close connection to the veterinary profession has led to the establishment of a new technical advisory group (TAG). This group of assessors and former Board members will continue to provide the Board (and VPIS) with the technical skills, experience and feedback that the Board views as essential to VPIS and its members. The TAG will also identify and train future Assessors.

Claims

Claim volumes continue to remain high, particularly in the companion animal space. There has however been a welcome drop in overall claims costs compared to last year's record high, due to there being fewer high value equine and production animal claims in the 2022/23 year. While this is positive, claim costs for the year will not be fully known for some time.

Financial

Justin from BDO (our virtual CFO providers) will cover the financials in more detail but as mentioned earlier in my report achieving our solvency capital target was a major achievement as it has been an ongoing focus for the Board for a number of years, and the forbearance from the RBNZ was unlikely to be extended. Achieving the result was due to a number of factors but an improved financial performance this year was a big part. This was largely influenced by three contributors:

- growth in premium income as a result of increased practice incomes and new business
- A positive return in our investment portfolio cf to a large loss last year
- favourable reinsurance terms resulting from a decrease in claims costs (settlements and legal fees) cf to previous years despite continuing high numbers of claims

A significant challenge in achieving our solvency requirement was that our intangible assets, namely our insurance platform, needed to be subtracted. After achieving the solvency requirement without these, the new solvency standard now allows for them. Despite this we are mindful that maintaining our solvency capital above the required level is an on-going requirement each year. The challenge for the Board and management will be to ensure that our financial performance continues to maximise income and contain costs to maintain the solvency capital at the required level.

Acknowledgements.

The transition from small insurer status has created a myriad of extra requirements -putting a huge demand on our management team and their support network. I would like to particularly acknowledge our CEO, Alpha Woolrich, for her commitment and sheer hard work in achieving this result. Her ability to multi-task and deal with the many facets of VPIS's business, while still ensuring the day to day requirements of VPIS and its clients are met, continues to be a huge asset to our business.

Behind Alpha there is a small but very effective team and I also acknowledge the support and services provided by Trish Thorpe (Claims Manager) and Tineal Teu (Administrator) to the Board, and

our members. VPIS also receives valued support from the NZVA – particularly Richard Anderson (IT) and Stephanie Smith (finance).

We have a number of external service providers including our virtual CFO team at BDO; our strategic advisor Adam Davy; our actuary Christine Ormond from PwC; our brokers Gallaghers; our legal teams at Mahony Horner, Darroch Forrest and Morgan Coakle; and our investment manager Brenda at JBWere – you have all played important roles for VPIS over this time.

I would also like to acknowledge the work of Amelia Costello and her team at Ezidocs who have set up and support our bespoke insurance platform. Developing this platform has been a large expense for VPIS over the past few years but it has frequently proved its value providing real time data to auditors and the RBNZ etc to meet compliance requirements over the past couple of years, and in reality the business could not operate without it.

Also to my fellow Board members Paul Fraser, Tanya Page, Gavin Shepherd and Jim Rhynd; our assessors and TAG members, Steve Cranefield, Brendon Bell and Katy Dawson – thank you all for your ongoing and valued contributions to VPIS in 2022/23. And finally thank you to our members for their continued support.

Mark Gilmour

VPIS Chair