ANNUAL REPORT

2022

VETERINARY PROFESSIONAL INSURANCE SOCIETY INC.

Insurance tailored for the veterinary profession, since 1987

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ABOUT US

We are a membership organisation that specialises in providing insurance and support to the veterinary profession. We do this primarily through tailored Professional Liability insurance, claims management and pastoral support from fellow veterinarians.

Our standard Professional Liability package provides Professional Indemnity insurance, Public Liability insurance, Statutory Liability insurance and Employers Liability insurance.

Professional Indemnity insurance provides cover for liability and defence costs arising from an actual or alleged breach of an insured member's professional duty. Public Liability insurance provides cover for liability and defence costs arising from physical loss or damage to a person or their property.

Statutory Liability insurance provides cover for defence costs and penalties arising from an actual or alleged breach of the law. Employers Liability insurance provides cover for liability to an employee arising from their employment.

Like you, relationships are important to us. We work closely with the New Zealand Veterinary Association (NZVA) and the Veterinary Council of New Zealand (VCNZ), for the mutual benefit of our members and the profession. And because most of our team are veterinarians, Crombie Lockwood provide policy administration and advice to our members.

As a not-for-profit member society, any profits we make go back into the society to help us support you when you need us.

We pride ourselves on being the insurer of choice for the New Zealand veterinary profession, supporting veterinary wellbeing and contributing to the efficiency and effectiveness of the vital services they provide.

FROM THE BOARD

Thank you to all our members for choosing VPIS once again. While we are insurers, we are a membership organisation first and foremost.

We acknowledge that the past 18 months have been both disruptive and challenging for the veterinary profession. Despite the financial benefit from increased demand for veterinary services, stressed owners, restricted working environments and an already stretched profession has undoubtedly impacted the wellbeing of the profession and led to more mistakes that have resulted in claims.

As I've shared before, Liability insurance is a long game, and VPIS is dedicated to being here for the long haul. Unfortunately, this has required a review of our premiums this year, to build adequate capital reserves to meet our regulatory obligations. A further drive behind premium increases is a significant increase in claims. In fact in 2021 we saw an increase of 79% in claim numbers on the previous year. Along with the increase in claim volume, claim costs are up considerably also.

Consistent with last year, there was high representation in companion animal claims (60%), bovine claims (18%) and equine claims (12%). Veterinary Council (VCNZ) complaints remained low this year with no judicial hearings. Despite this, poor record keeping, and communication, remain concerns, especially in the current environment.

We know the importance of meeting face to face, however once again covid put the brakes on planned gatherings this year. The best we could do was attend the Christchurch conference briefly. We are hopeful that the conferences booked this year can proceed and look forward to sharing "war stories" with you.

From a financial perspective we had a solid performance, ending the 2020/21 year with a surplus of $167,120. Alongside this our equity position increased from $2.71m to $2.857m and our solvency ratio increased from 383% to 422%.

As usual, I would like to thank those that have supported us to support you over the past year. Within VPIS, I'd like to thank Alpha Woolrich, our CEO and Trish Thorpe, our Claims Administrator. I'd also like to mention Margaret Carter, our Chief Financial Officer, who has been a godsend in challenging times.

My fellow board members, some of whom assist with claims investigations, have embraced new ways of working together. This includes Mark Gilmour, Steve Cranefield, Paul Fraser, Brendon Bell, Tanya Page, Vince Peterson and Jim Rhynd. In addition to our Board Assessors, Dr Katy Dawson has been a huge asset on our team as an assessor.

As a small insurer we rely on our relationship with our reinsurers. This year we established a new relationship with Berkshire Hathaway.

Many thanks for your support in 2021 and see you again this time next year.

Thank you,

Gavin Shepherd | Board Chair

OUR BOARD

Gavin Shepherd |Board Chair since 2016, VPIS Board since 2007 BVSc Massey 1979, MAVSc, MBA
Species: Companion animal

What does your background bring to the job?
My area of expertise is small animal practice. I was a small animal veterinarian for over 30 years and have also managed a veterinary business in the Waikato which employs around 50 veterinarians. More recently I have moved into working in the family business providing animal cremation services across the North Island.

What do you enjoy about your Board role?
Supporting veterinarians. There is a lot of stress when a customer complains about your business, or you as a veterinarian. When a complaint progresses through to the Veterinary Council, the stakes escalate. I have been involved with VPIS for over a decade and supporting veterinarians when going through an investigation is so rewarding, especially when you see the personal and professional difference we make.

Final word:
The first thing I advise veterinarians is to prepare for the length of time a VCNZ complaint can take to go through the process. It is not uncommon for the process to take several months, and they need to be prepared for this. That's where having VPIS support is so important for the veterinarian- to know they've got experienced help alongside.

Paul Fraser |VPIS Board since 2011 BVSc Massey 1997
Species: Equine

What does your background bring to the job?
I spent 40 years in equine clinical practice at Cambridge Equine Hospital before retiring from full-time work in 2017. In the subsequent years I have worked on a consultancy basis, done the occasional locum cover and worked as an on-course vet on race days.

What do you enjoy about your Board role?
Since joining the VPIS Board in 2012, I have gained an immense pleasure in being able to interact with, and help, so many of our veterinarians navigate their way through legal, regulatory and indemnity problems they have been subjected to while performing their professional duties. I have enjoyed my involvement in developing risk mitigating educational material in this respect and in delivering constructive feedback to the profession on cases we have dealt with.

Final Word
My goal at VPIS is to help and support all our members in indemnity of regulatory events they may experience. These are always going to be stressful, and I hope that I can minimise the impact such an occurrence may have both on their personal and professional futures. If I can achieve that, I have done my job.

OUR BOARD

Jim Rhynd |VPIS Board since 2014

What does your background bring to the job?

I'm a full-time beef farmer, retired from Dairy farming after 29 years, the Director of the Northern Wairoa Vet Club and the representative on VPIS for the New Zealand Vet Clubs Association.

What do you enjoy about your Board role?

While I'm not an Assessor, you could say I provide a practical view from a farmer perspective.

Final word:

The services that rural veterinarians provide are essential to a productive and efficient agricultural sector. Insuring with VPIS provides a safety net when things go wrong for both farmers and veterinarians working together.

Mark Gilmour |VPIS Board since 2007 BVSc Massey 1978 Species: Production animal

What does your background bring to the job?

I was in mixed practice in the Rangitikei for 33 years- initially at the Marton Vet Club and from 1980 to 2011 I was a partner in Southern Rangitikei Vet Services. From 2012 to 2020 I was self-employed providing consultancy services to several companies.

I know from my time in practice, and as a practice manager, that as vets we face some unique challenges and risks. At a VPIS Board level we are seeing in recent years major changes in veterinary work.

What do you enjoy about your Board role?

Being able to help and support fellow vets is very rewarding. Also, the cases VPIS has dealt with over the years give us great insight to many aspects of practice- and allows us to have a real perspective on managing risk in the profession. We have used this to provide guidance on things like scanning and pregnancy testing, technician training, velveting, transport certification etc. as well as associated legislation.

Final word:

While the primary role of VPIS is to provide comprehensive indemnity insurance to the profession, what I think gives us our point of difference is the genuine passion that every Board member, past and present, has for the wellbeing of veterinarians, and the standard of the profession.

OUR BOARD

Tanya Page |VPIS Board since 2017 BVSc Massey 2001
Species: Companion animal

What does your background bring to the job?

I've been a veterinarian for about 20 years now and assess claims involving companion animals. Becoming part of VPIS has allowed me to help the profession that I have been part of over that time.

What do you enjoy about your Board role?

The complaints procedure is a very stressful time for veterinarians. I have found that it doesn't matter how old the veterinarians are or how experienced they are, from a new graduate to one with specialist qualifications, they are all affected in a similar way.

I have a lot of empathy for the demanding work and difficult situations that veterinarians become involved in, and it is important to me that veterinarians can feel supported.

Final word:

It is a very satisfying experience to be able to make a complaint go a little more smoothly for the veterinarian and take some burden off their shoulders.

OUR BOARD

Brendon Bell |VPIS Board since 2000 BVSc Massey 1985 MACVSc Species: Equine

What does your background bring to the job?

Each of us in our working professional lives face the possibility of something going wrong. And some of the things that go wrong in our job can have life changing effects. When things go wrong, if they are not managed well and with empathy, the consequences for the veterinarian involved can be tragic. I had a catastrophic event early in my veterinary career and know exactly the effect these instances can have on people. Because of this I feel uniquely qualified to be able to assess equine cases 'when things go wrong', always with the veterinarian in mind, ensuring the assessment process is quick, fair and empathetic.

What do you enjoy about your Board role?

Veterinarians, especially newer graduates, often feel vulnerable, and have a genuine concern that the mistake they made may mean they will lose their job, or worse, their ability to practice. Over my time with VPIS I've been involved in many memorable case investigations. The one aspect of these cases that stands out for me is about the reassurance and support we can give to younger vets when something goes wrong.

Final word:

VPIS is there to advocate for the vet and rectify and compensate for mistakes that can happen. Life still goes on, and luckily, I've had no instances where a mistake has resulted in a vet losing their practicing certification.

Steve Cranefield |VPIS Board since 2003 BVSc Massey 1992 Species: Dairy

What does your background bring to the job?

I assess claims involving livestock. Veterinarians don't work in a black and white world. When dealing with livestock veterinarians are balancing the emotional and economic needs of their farming clients with the health and welfare of the animal - and often doing so in unpredictable situations. It is inevitable that, despite the best intentions, sometimes things just don't go to plan.

What do you enjoy about your Board role?

I am proud to provide support, education and a voice of reason in very stressful times for fellow veterinarians.

Most memorable VPIS moment:

As an assessor for dairy related claims, the most memorable moment for me was when I finally met face-to-face with a veterinarian that I had helped to get through a very stressful Veterinary Council complaints assessment. We had spoken on the phone and via email countless times. There were many late night submissions as we prepared the case, and I became increasingly concerned that we were going to lose a fine young veterinarian from our profession. Through all the turmoil we developed a relationship of sorts, but it was not until I met the veterinarian face-to-face 3 years later, in a new role with a new young family that it sank in for me how different things could have been if it were not for the support VPIS provides.

Final word:

I often say to veterinarians, "Thank goodness for the VPIS". Yes, VPIS are insurers, but we go well beyond the financial transaction of insurance.

OUR MANAGEMENT AND ADMINISTRATION TEAM

Alpha Woolrich | VPIS since 2018

I'm the Chief Executive Officer and I'm responsible for leading the delivery of VPIS's strategic initiatives, overseeing the day-to-day business operations, and liaising with the Board and regulators. Since joining the team in January 2018 and taking on the role of CE in 2019, we've undergone significant changes to ensure our long-term viability as a member-based insurer for veterinarians. I say it every year, but working for VPIS really is the most enjoyable, challenging and rewarding experience I am fortunate enough to have, where no two days are ever the same.

Trisha Thorpe | VPIS since 2000

I'm the Claims Manager for VPIS and will usually be the first person you speak to when you ring to notify VPIS of a claim or complaint you've received from a client. I joined the NZVA and VPIS over 20 years ago and have developed an in-depth knowledge of the types of claims and stresses that veterinarians face.

Richard Anderson | VPIS since 2013

I'm the IT Manager for VPIS and focus on IT support, maintaining the claims database and website and attending to any customisation and database reports VPIS needs.
I joined the NZVA and VPIS around 10 years ago and came into the IT world via a happy accident in the early 2000's after dabbling in building and property maintenance. My career has mainly revolved around website and Open-Source software development.

Tineal Teu | VPIS since 2022

I'm the office administrator for VPIS, I'm responsible for providing support for our Claims Manager and Chief Executive Officer.

MINUTES OF 2022 ANNUAL GENERAL MEETING

2022 ANNUAL GENERAL MEETING

Minutes of the 35th Annual General Meeting of the Veterinary Professional Insurance Society (Inc) via Zoom held at 5.30pm on 23 February 2022.

1. Welcome

The meeting commenced at 5.30pm. Gavin Shepherd welcomed members to the 35th Annual General Meeting of the Veterinary Professional Insurance Society (VPIS).

Present: Gavin Shepherd (Chair), Mark Gilmour (Vice Chair), Paul Fraser (Board), Vince Peterson (Board), Brendon Bell (Board), Jim Rhynd (Board), Tanya Page (Board), Chris Carter (CEO Totally Vets), Elna Otto (CFO, Totally Vets), Mark Hosking (CEO Franklin Vets), Stephen Hopkinson (CEO Taranaki Vet Svs), Ben Davidson (Managing Director Rangiora Vet Svs), Peter Twine (Cambridge Vets), Adam Hittman (Head Operations VetOra), Katy Dawson (VetOra), Neil Houston (Director Vet Assoc Equine Partnership), David McDonnell (Tauranga Vet Svs), Noel Power (Prinicipal Director Waikato Equine Vets), Richard Spittle (Director Animal Breeding Svs),

In attendance: Alpha Woolrich, (VPIS CEO) Justin Martin and Dale Burton (BDO), Stephanie Smith (NZVA Accountant), Kevin Bryant (NZVA), Trish Thorpe (minutes)

2. Confirmation of quorum

The Chairman advised those present that a quorum was not reached. The meeting was adjourned at 5.35pm. The adjourned time for the meeting to recommence was 5.36pm – no notice of an adjourned meeting being required per clause 12.6 of the Rules. The adjourned meeting recommenced at 5.36pm and after one minute (per clause 12.5) the Members present constituted a quorum (there being eight Members present). The meeting then proceeded on the basis of that quorum.

3. Apologies

It was resolved

That the apologies of Steve Cranefield (Board member), Liza Schneider (Holistic Vets), Hans Andersen (Halifax Vet Svs), Terry Youngman (Anexa), Sandy Cooper (Vets for Pets Invercargill) are accepted.

Gavin Shepherd / Mark Gilmour
Carried

4. Confirmation of Minutes of the 2021 Annual General Meeting

It was resolved

That the minutes of the 24 February 2021 Annual General Meeting are accepted as a true and accurate record.

Mark Gilmour / Neil Houston
Carried

MINUTES OF 2022 ANNUAL GENERAL MEETING

5. Chairman's Report

Gavin Shepherd Chair discussed the financial position, membership engagement, regulations, premium levels and implications requiring change from Small to Large Insurer, change in Chief Financial Officer (CFO) from Margaret Carter to BDO, change of reinsurer from Vero Liability to Berkshire Hathaway.

Gavin thanked and acknowledged the invaluable support of fellow board members, who also assist with claims investigations: Dr Mark Gilmour (sheep, beef and deer), Dr Steve Cranefield (dairy) Dr Paul Fraser (equine), Dr Brendon Bell (equine), Dr Tanya Page (companion animals), Dr Vince Peterson (companion animals) and Mr Jim Rhynd (farmer representative from the ARVP). He also thanked Dr Katy Dawson for her assessment work this year, and VPIS CEO Alpha Woolrich supported by Trish Thorpe, Richard Anderson (IT), Christine Ormrod (Actuary PWC) and Margaret Carter CFO and BDO CFO.

The Chairman also thanked NZVA for their support as a major service provider and partner, represented by Kevin Bryant CEO at the AGM.

It was resolved

That the Chairman's report is accepted

Vince Peterson / Paul Fraser
Carried

CEO report

Alpha Woolrich VPIS CEO discussed claims and notifications by species and cost. VPIS has experienced a significant increase over the years. Companion animal claims increased during 2021 compared to 2020. CEO acknowledged membership support.

6. Financial Report

Justin Martin, CFO BDO spoke to the audited accounts, treatment of and interpretation of the intangible asset being the insurance platform, which is not included in the solvency capital. VPIS attracts extra compliance demands and costs as insurers and as an incorporated society. Acknowledged Margaret Carter in her role as outgoing CFO. Tax exemption relates to the provision of efficient veterinary services.

It was resolved

That the annual accounts for the year ended 30 September 2021 are adopted.

Mark Gilmour / Brendon Bell
Carried

It was resolved

That the current auditor Deloitte be appointed for the 2022-2023 period.

Gavin Shepherd / Mark Gilmour
Carried

MINUTES OF 2022 ANNUAL GENERAL MEETING

7. Implementation of New Rules for the Society

Background: Veterinary Professional Insurance Society Incorporated's (VPIS) Board has recently conducted a review of VPIS' membership and governance requirements in anticipation of the Incorporated Societies Bill (Bill) being enacted and in light of the Reserve Bank of New Zealand's Governance Guidelines for Licensed Insurers (Guidelines) and current tax rules.

This review has identified a need to make amendments to VPIS' Constitution (Constitution) to comply with provisions of the Bill that are expected to be enacted and the Guidelines. The Board also considers it is necessary to amend VPIS' purposes to more closely align with the income tax exemption it operates under.

Motion: That the Rules referred to above be approved and registered as the Rules of the Society.

Those present discussed: Proposed board member quorum being two thirds of the board, member advisory committee to support the board mainly comprising assessors, retention of corporate knowledge, tax exemption requirements, changes to the board will be cost neutral.

Gavin Shepherd Chair advised that the motion to adopt the new Constitution/Rules needs to be put to a vote and that per (current) Rule 12.7 the vote is initially carried out by a show of hands:

Ayes – All present

Nays - None

Gavin Shepherd / Mark Gilmour
Carried

8. Membership Subscription Fee

9. General Business

Neil Houston expressed his appreciation for the way VPIS recently managed a claim which resulted in a good outcome and retention of the practice client.

Venue for 2023 Annual General Meeting

The date and time for the 2023 AGM is yet to be determined and will be advised at a later date.

Meeting was closed at 6.34pm.

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

Board of Directors

Gavin Shepherd (Board Chair)
Brendon Bell
Alexander James Rhynd
Mark Gilmour (ARC Chair)
Paul Fraser
Steve Cranefield
Tanya Page
Vince Peterson

Chief Executive Officer

Alpha Woolrich

Actuary

Christine Ormrod

Solicitor

Mahony Horner Lawyers
Darroch Forrest
Morgan Coakle

Bank

Westpac Banking Corp

Auditor

Deloitte Limited

Accountant

BDO Wellington Limited

Registered Office

Level 2, 44 Victoria Street
Wellington Central
Wellington, 6012

Incorporation Number

376964

New Zealand Business Number

9429042897255

VETERINARY PROFESSIONAL INSURANCE SOCIETY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022	*Restated* 2021
Revenue from Exchange Transactions	**4.3**		
Gross premium		1,874,835	1,468,179
Premium ceded to Re-Insurer		(777,919)	(713,767)
Net Premium		1,096,916	754,412
Other Revenue			
Membership revenue		284,020	217,732
Miscellaneous revenue		5,048	8,675
Investment income		65,831	608
Rental income		28,104	28,104
Total Other Revenue		383,003	255,119
Other Gains and Losses			
Revaluation of Investment Property	**10**	55,000	32,500
Fair Value (Loss)/Gain on Investments		(187,849)	161,345
Total Other Gains and Losses		(132,849)	193,845
Total Revenue (and other gains/losses)		1,347,070	1,203,376
Expenses			
Net Claims Cost	**6**	212,935	231,877
Operating Expenses			
Insurance fees and premiums		88,000	65,000
Legal expenses		144,090	57,539
Administration		365,361	170,480
Finance cost		660	3,550
Board cost		93,684	94,925
Depreciation and amortisation	**9**	864	1,563
Investment management fees		20,251	13,058
Personnel costs		266,705	243,152
Project expenses		222,484	119,088
Total Operating Expenses		1,202,099	768,355
Total Expenses		1,415,034	1,000,232
Total Surplus (Deficit) for the Year		**(67,964)**	**203,144**
Total comprehensive revenue and expenses for the year		**(67,964)**	**203,144**

These financial statements should be read in conjunction with the accounting policies and notes that follow.

VETERINARY PROFESSIONAL INSURANCE SOCIETY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 SEPTEMBER 2022

Retained Earnings	**2022**	*Restated* **2021**
Balance as at 1 October	3,385,733	3,182,589
Total Surplus (Deficit) for the Year	(67,964)	203,144
Balance as at 30 September	**3,317,769**	**3,385,733**

These financial statements should be read in conjunction with the accounting policies and notes that follow.

VETERINARY PROFESSIONAL INSURANCE SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

			Restated
Current Assets	**Notes**	**2022**	**2021**
Cash and cash equivalents	**8**	1,513,946	831,606
Receivables from exchange transactions		168,057	45,203
Recoverable from reinsurer in respect of claims provision	**5,7**	885,750	476,096
Prepayments		408,950	408,484
GST receivable		36,727	44,155
Total Current Assets		**3,013,430**	**1,805,544**
Non-Current Assets			
Fixed Assets	**9**	2,221	1,766
Investment property	**10**	367,500	312,500
Investment portfolio	**11**	1,493,196	2,369,594
Total Non-Current Assets		**1,862,917**	**2,683,860**
Total Assets		**4,876,347**	**4,489,404**
Current Liabilities			
Accounts payable from exchange transactions		132,632	433,688
Unearned premium	**7**	352	1,626
Subscriptions received in advance		1,770	608
Sundry payables		426,283	64,796
Employee payables		48,247	27,454
Provision for claims	**5,7**	945,539	571,315
Total Current Liabilities		**1,554,823**	**1,099,487**
Non-Current Liabilities			
Unearned Premium	**7**	2,990	3,177
Subscription in advance		765	1,007
Total Non-Current Liabilities		**3,755**	**4,184**
Total Liabilities		**1,558,578**	**1,103,671**
Net Assets		**3,317,769**	**3,385,733**
Equity		**3,317,769**	**3,385,733**

For and on behalf of the board 15 February 2023

Name	Gavin Shepherd Director	Name	Mark Gilmour Director
Signature		Signature	
Date	15/02/2023	Date	15/02/2023

These financial statements should be read in conjunction with the accounting policies and notes that follow.

VETERINARY PROFESSIONAL INSURANCE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2022

		Restated
Cashflows from operating activities	**2022**	**2021**
Cash was provided from/(applied to):		
Insurance premiums	1,444,784	1,473,417
Membership Subscriptions	284,020	216,664
Excesses and reinsurer payments received	508,255	329,393
Interest received	1,872	1,659
Other income	31,281	35,120
Operational Payments to suppliers	(686,372)	(682,063)
Insurance Claims Paid	(856,391)	(591,906)
Insurance Premiums Paid	(777,919)	(713,767)
Net cash flows (applied to)/from operating activities	**(50,470)**	**68,517**
Cash flow from investing activities		
Proceeds from sale of financial assets	1,965,455	2,194,152
Payments to acquire financial assets	(1,276,906)	(1,948,874)
Payments to acquire fixed assets	(1,320)	-
Proceeds from interest	34,775	467
Proceeds from dividends	31,057	141
Payments to management fees	(20,251)	(13,058)
Net cash flow (applied to)/from investing activities	**732,810**	**232,828**
Net cash flow (applied to)/from financing activities	-	-
Net change in cash and cash equivalents	682,340	301,345
Cash and cash equivalents, beginning of year	831,606	530,261
Cash and cash equivalents at end of year	**1,513,946**	**831,606**
Made up of		
Cash and Cash equivalents	**1,513,946**	**831,606**
Total Cash	**1,513,946**	**831,606**

These financial statements should be read in conjunction with the accounting policies and notes that follow.

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

1 Reporting Entity

The Veterinary Professional Insurance Society Incorporated ("VPIS" or "Society") is a Public Benefit Entity (PBE) registered as an Incorporated Society under the Incorporated Societies Act 1908 and is domiciled in New Zealand. This entity is a small insurer up until 30 September 2022, which under section 11(1)(b) of the Insurance (Prudential Supervision) Regulations 2010 is exempted from being an FMC reporting entity for the purposes of the Financial Markets Conduct 2013 by virtue of section 451(h) of that Act.

On 15 July 2013 VPIS was issued its original licence and on 13 August 2015 was issued a revised license to carry on insurance business in New Zealand under the Insurance (Prudential Supervision) Act 2010 and is eligible to use the small insurance exemptions under this Act.

VPIS's principal activities are to establish such schemes or arrangements for insurance on behalf of members of VPIS against professional liability or fidelity guarantee insurance, and to promote, administer and operate, on behalf of Members of VPIS, any scheme of insurance so arranged. VPIS also provides non-financial advice and education to its members.

VPIS operates a professional liability insurance scheme for veterinary practices and has operated on its revised license since August 2015. VPIS takes advantage of all of the small insurer exemptions that apply to it. These financial statements were approved for issue by the Board of VPIS on 15 February 2023.

2 Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBEIPSAS") and other applicable financial reporting standards as appropriate that have been authorised for use by the New Zealand Accounting Standards Board for Not-For-Profit entities. For the purposes of complying with NZ GAAP, the Society is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it falls within the small insurer exemption.

The Board has elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.

3 Restatement Due to Changes in Accounting Policy

During the year, the Society revised its accounting policy in relation to its investment property from the cost model to the fair value model. The policy has been changed because the fair value model results in a more accurate valuation of the property as it is based on an independent valuation and considers the current property market, which has changed significantly since the property was purchased. Historical financial information has been restated to account for the impact of the change – refer notes 10 and 19.

Also, during the year, the Society revised is accounting policy in relation to its recognition of cash and cash equivalents. The Society now recognises cash held in the JBWere investment portfolio as cash and cash equivalents rather than as part of the investment portfolio. The policy has been changed because it was determined that the cash held at JBWere was readily available to the Society, being without penalty or excessive notice.

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

4 Summary of Accounting Policies

The significant accounting policies used in the preparation of these financial statements are set out below

4.1 Basis of measurement

The measurement system adopted is standard historical cost except for the investment portfolio which is at fair value and the claims provision which is accounted for in accordance with PBE IFRS 4. The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

4.2 Presentation and Functional Currency

The VPIS financial statements are presented in New Zealand dollars ($), which is VPIS's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

4.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Society and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding goods and service tax, and insurance recoveries.

The following specific recognition criteria must be met before revenue is recognised.

Revenue from Exchange Transactions

Gross Premium

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Membership Revenue

The proportion of membership revenue that is attributable to the current financial year is recognised as revenue in that insurance year. Where this is paid in advance, the unearned portion has been shown as income in advance.

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

4.3 Revenue (cont)

Premiums ceded to reinsurer

Gross outward reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Gross general reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums ceded in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Reinsurance premiums on the face of the Statement of Comprehensive Revenue and Expense have been presented as negative items within net premiums.

Investment Income

Investment income includes net proceeds from dividends, interest received, and investments sold during the year. Interest revenue is recognised as it accrues. Dividend revenue is recognised when the dividend is received.

Gains or losses resulting from changes in the market value of shares and bonds are separately identified.

Rental Income

Rental income from VPIS's share in the investment property held jointly with the New Zealand Veterinary Association and the New Zealand Veterinary Trust.

4.4 Financial Instruments

Financial assets and financial liabilities are recognised when the Society becomes a party to the contractual provisions of the financial instrument.

The Society derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Society has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- the Society has transferred substantially all the risks and rewards of the asset; or
- the Society has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

4.4 Financial Instruments (cont)

Financial assets

Financial assets within the scope of PBE IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available for-sale financial assets. The classifications of the financial assets are determined at initial recognition.
The categorisation determines subsequent measurement and whether any resulting income and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. The Society's financial assets are classified as either financial assets at fair value through surplus or deficit, or loans and receivables. VPIS's financial assets include; cash and cash equivalents, receivables from exchange transactions, investment portfolio and investment property.

All financial assets except for those at fair value through surplus or deficit are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria are used to identify whether there is any objective evidence that a financial asset or group of financial assets are impaired. These criteria are described below.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through surplus or deficit upon initial recognition. All investments of VPIS, except its property investment, fall into this category of financial instruments.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. VPIS's cash and cash equivalents and receivables from exchange transactions fall into this category of financial instruments.

Impairment of financial and non-financial assets

At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If any such indication exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in surplus or deficit within the Statement of Comprehensive Revenue and Expenses.

Financial Liabilities

The Society's financial liabilities include accounts payables from exchange transactions and sundry payables.
All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method.

4.5 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks and short-term deposits which have a term of 90 days or less. These are highly liquid investments readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value. Their carrying value approximates to their fair value.

4.6 Receivables from Exchange Transactions

Accounts receivable from exchange transactions are non-interest bearing and receipt is normally due for re-insurance in 7 days and other receivables in 30 days. Therefore, the carrying value of receivables approximates its fair value. As at 30 September 2022 and 2021, all overdue balances have been assessed for impairment and no allowance was necessary. All receivables are subject to credit risk exposure.

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

4.7 Investment Property

The investment property is held to earn rentals and/or for capital appreciation. Investment property is initially measured at cost and subsequently measured at fair value.

4.8 Other Assets

The depreciation period for the fixed assets are as follows;
Computer hardware - 2.5 years
Plant and Equipment - 4 years

4.10 Income Tax

VPIS is exempt from income tax under the Veterinary Services Bodies provisions of Section CW50 of the Income Tax Act 2007.

4.11 Goods and Service Tax (GST)

The financial statements have been prepared on a GST exclusive basis, except for receivables from exchange transactions and accounts payable from exchange transactions which are stated inclusive of GST. The net amount of GST payable/(receivable) to/(from) the Inland Revenue Department is included as either a payable or a receivable in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a net basis. The GST component of cash flows which is recoverable from, or payable to, the Inland Revenue Department is classified as part of operating cash flows.

4.12 Provisions

A provision is recognised for a liability when the settlement amount or timing is uncertain; when there is a present legal or constructive obligation as a result of a past event; it is probable that expenditures will be required to settle the obligation; and a reliable estimate of the potential settlement can be made.

Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.13 Expenditure

Gross Claims

Gross insurance claims, fees and expenses include the cost of all claims occurring during the year, and related internal and external claims handling costs that are directly related to the processing and settlement of claims.

Claims Ceded

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Other Operating Expenses

All other expenses are recognised in surplus and deficit within the Statement of Comprehensive Revenue and Expenses, upon utilisation of the service or at the date of their origin.

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

4.14 Reinsurance ceded to reinsurance counterparties

VPIS cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that VPIS may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that VPIS will receive from the reinsurer. The impairment loss is recorded in the Statement of Comprehensive Revenue and Expenses.

Gains or losses on buying reinsurance are recognised in the Statement of Comprehensive Revenue and Expense immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve VPIS from its obligations to policyholders.

4.15 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Comprehensive Revenue and Expense.

Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

4.16 Software as a Service

Software-as-a-Service (SaaS) arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred may be for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meet the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

5 Significant management judgements and estimates in applying accounting policies

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Judgements have been made in respect of claims acceptance and validity.

Further significant estimates are made in conjunction with the appointed Actuary to determine the provision for future claims amounts. Uncertainty about these judgements and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

VPIS management based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Society. Such changes are reflected in the assumptions when they occur.

The risk under any one insurance contract is the possibility that one or more insured events occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is unpredictable.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although VPIS has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. Short term insurance liabilities are not sensitive to the level of market interest rates as they are contractually non-interest bearing and the effect of discounting is not significant.

In applying the entity's accounting policy in respect of customisation and configuration costs incurred in implementing SaaS arrangements, the directors made the following key judgements that may have the most significant effect on the amounts recognised in financial statements. Determination of whether configuration and customisation services are distinct from the SaaS access costs incurred to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, the directors applied judgement to determine whether these services are distinct from each other or not, and therefore, whether the configuration and customisation costs incurred are expensed as the software is configured or customised (i.e. upfront), or over the SaaS contract term.

Specifically, where the configuration and customisation activities significantly modify or customise the cloud software, these activities will not be distinct from the access to the cloud software over the contract term. Judgement has been applied in determining whether the degree of customisation and modification of the cloud-based software that would be deemed significant. During the year, the Society recognised $408,950 (2021: $408,484) as prepayments in respect of customisation and configuration activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS access over the contract term.

During the year, the term of the contract was determined to be 8 years, compared to the 5 years used in preparation of the 2021 accounts. This change in estimate has been accounted for on a prospective basis.

During the year, the accounting policy for the investment property was changed to the fair value model. See note 3.

Insurance Credit risk

VPIS has a contingent liability if for any reason expected recoveries are not received from the underwriters.

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

5 Significant management judgements and estimates in applying accounting policies (cont)

VPIS's Appointed Actuary, Christine Ormrod FNZSA FIA of PricewaterhouseCoopers Consulting (New Zealand) LP, has prepared a valuation of VPIS's outstanding claims liability as at 30 September 2022.

The valuation was undertaken using the Payment Per Claim Incurred method. The claims provision has been calculated by multiplying open claims by the average claim size, adjusting for any specific large claim estimates and deducting payments already made against these open claims. The provision has been adjusted for inflation and expected claims handling expenses. Future payments have been discounted as appropriate. Key assumptions used in determining the outstanding claims liability were as follows:

•Discount rate – 4.05-4.34% (2021: nil) Based on the risk-free forward rates published by The Treasury as at 30 September 2022.
•Inflation rate – 2.1-4.8% (2021: nil) When considering claim development patterns, historic payments are increased with CPI inflation. Future claim payments are increased to allow for projected future CPI inflation.
•Future claims handling expenses – 6% (2021:16%) of gross claims payments.
•Reinsurance – as VPIS has met its retention level in each recent year to 2022, all future claims payments are assumed to be covered by reinsurance.
•Risk Margin – net claims cost is calculated at a 75% probability of sufficiency by applying a risk margin of 25% (2021: 25%) to gross claims.
•Assumed average claim size – this is based on historic average claim size for small, medium and large claims. See table below:

Size of claim	Small	Medium	Large
$	435	3,539	40,000

The impact of this was to decrease the net provision for outstanding claims by $35,430 at 30 September 2022 (2021: increase by $1,090).

Uncertainty and sensitivities

The estimate of the outstanding claims provision is subject to a significant amount of uncertainty as it can take several years for the final cost of a claim to be known. The ultimate claims costs of the claims outstanding at any particular date may be materially higher or lower than the current estimates. However, the stop-loss reinsurance treaty in place with Berkshire Hathaway reduces the volatility of VPIS's profit, with the net of reinsurance underwriting result generally known within the year.

The valuation results are sensitive to the assumptions relating to the pattern of which claims are reported and the mixture of claims received, particularly the amount paid in the year after claim inception. As VPIS is a small business, its experience is likely to be more volatile. Sensitivity tests have been carried out to determine the impact of an adverse change to the underlying assumptions in the projections.

Effect on revenue and net equity	
Claim development factors $1,000,000 higher	(62,116)
Claim development factors $450,000 lower	31,708

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

5 Significant management judgements and estimates in applying accounting policies (cont)

This is the sixth valuation by an Appointed Actuary. The net ultimate claims cost for the nine most recent claim years, from years ending 30 September 2013 to 30 September 2022 are as follows:

		Valuation Year									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Under Writing Year	2022									200,000	200,000
	2021								200,000	200,000	
	2020							150,000	200,000		
	2019						150,000	150,000			
	2018					150,000	150,000				
	2017				150,000	150,000					
	2016			150,000	150,000						
	2015		150,000	150,000							
	2014	150,000	150,000								
	2013	150,000									
	Net paid claims	150,000	150,000	150,000	150,000	150,000	150,000	150,000	200,000	200,000	200,000

Net undiscounted outstanding claims	-
Discounting	(70,222)
Indirect expenses	53,145
Risk Margin	6,643
Provision for net outstanding claims	59,788

6 Net Claims Cost

VPIS reinsures its exposure to claims and seeks to recover all costs over the agreed cap from its reinsurer. Each year the Society makes a full provision up to the cap for potential claims and claims received but not yet settled. This provision is reduced during the year as claims and related expenses are paid.

Underwriting Expenses and recoveries continued

Claims, fee & expenses	**2022**	**2021**
Expenses incurred - current year claims	468,960	326,807
Expenses incurred - prior years claims	387,431	265,099
	856,391	**591,906**
Insurance expenses recovered - current year claims	(245,382)	(125,182)
Insurance expenses recovered - prior-year claims	(362,644)	(235,937)
	(608,026)	**(361,119)**
Movement in net outstanding claims	(35,430)	1,090
Net Claims cost for the year	**212,935**	**231,877**

7 Liability adequacy testing and solvency disclosure

Liability adequacy test and unexpired risk provision

A liability adequacy test (LAT) is a test to determine whether the net unearned premium provision is sufficient to cover the net premium liability. The net premium liability is the provision deemed necessary to cover the claim risk and expenses associated with unearned premiums plus a risk margin. An unexpired risk provision is required if there is a deficit of net unearned premium provision less deferred acquisition costs (DAC) compared to net premium liability. VPIS's unearned premium both current and noncurrent as at 30 September 2022 is $3,342 (2021: $4,803). These all relate to run-off insurances. There is no other net premium liability either so there is no overall deficit under the LAT.

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

7 Liability adequacy testing and solvency disclosure (cont)

Solvency Position

Under section 4.5 of the Solvency Standard for Non-Life Insurance business, issued by the Reserve Bank of New Zealand under section 55 of the Insurance (Prudential Supervision) Act 2010, VPIS is required to disclose certain information regarding its solvency position. As at 30 September 2022:

(a) VPIS's Actual Solvency Capital was $2.911m (2021: $2.857m)
(b) VPIS's Minimum Solvency Capital was $0.496m (2021: $0.676m
(c) VPIS's Solvency Margin was $2.414m (2021: $2.18m)
(d) VPIS's Solvency Ratio was 586%. (2021: 422%)

8 Cash and Cash equivalents

The carrying value of cash and cash equivalents approximates their fair value.

Cash at bank earns interest at floating rates on daily deposit balances. There are currently no short-term deposits. On Call rates were 0.05%.

Cash held on behalf by JBWere earns interest at floating rates on daily deposit balances.

	2022	2021
Cash and Cash Equivalents	**$**	**$**
Cash held at Bank	549,632	598,777
Cash held in investment portfolio	964,314	232,829
	1,513,946	831,606

9 Fixed Assets

2022	Opening Cost	Plus Additions	Less Disposals	Closing Cost	Amortisation for the year	Accumulated Amortisation	Carrying Amount
	$	$	$	$	$	$	$
Computer Hardware	2,949	1,320	-	4,269	481	3,037	1,232
Plant and equipment	1,916	-	-	1,916	383	926	990
	4,865	**1,320**	-	**6,185**	**864**	**3,963**	**2,221**

2021	Opening Cost	Plus Additions	Less Disposals	Closing Cost	Amortisation for the year	Accumulated Amortisation	Carrying Amount
	$	$	$	$	$	$	$
Computer Hardware	2,949	-	-	2,949	1,180	2,556	393
Plant and equipment	1,916	-	-	1,916	383	543	1,373
	4,865	**-**	**-**	**4,865**	**1,563**	**3,099**	**1,766**

10 Investment Property

VPIS has a 25% ownership in the land and building situated at Level 2, 44 Victoria Street, Wellington, the principal place of operation. Ownership is shared with New Zealand Veterinary Association (NZVA) and the New Zealand Veterinary Trust (as successors to the New Zealand Veterinary Association Foundation for Continuing Education) under an agreement for purchase dated August 2006. VPIS is restricted from disposing of the asset since it owns only 25% of the property. There are no contractual obligations to purchase, construct, develop the property or for maintenance and enhancements. VPIS receives rental income from NZVA.

Investment property is stated at fair value. The most recent revaluation was done with an effective date of 30 September 2022. The valuation was performed by an independent valuer, being Jon Parker, BBS, ANZIV, SPINZ of Darroch Property Advisors & Valuers.

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10 Investment Property (cont)

The valuation was based on capitalising the potential net income at an appropriate market derived rate of return to arrive at a capitalised value. Key assumptions used in determining the value of the investment property were as follows:

- Capitalisation rate (market income) – 7.75% (2021: 7.5%)
- Rate per square metre Building – $3,400 - $3,450 psm (2021: $2,950 - $3,000 psm)
- Range of equivalent yields (Market rental/sale price adjusted for vacancy, capital expenditure, etc) – 6.75% to 8.30% (2021: same).
- Market rental assessment – $115,055 (2021: $91,272) based on a comparison with recent leasing and reviews of similar premises in the near locality.

Investment Property	Opening Cost	Opening Fair Value gain (loss)	Additions	Fair Value gain (loss)	Carrying amount
	$	$	$	$	$
2022	253,658	58,842	-	55,000	367,500
2021	253,658	26,342	-	32,500	312,500

Reconciliation of the carrying amount at the beginning and end of the period:

	2022	2021
Opening balance as at 1 October	312,500	280,000
Changes in Fair Value	55,000	32,500
Additions	-	-
Disposals	-	-
Depreciation	-	-
Closing balance as at 30 September	**367,500**	**312,500**

11 Financial instrument risk

VPIS is exposed to various risks in relation to financial instruments. VPIS's financial assets and liabilities by category are summarised below:

	2022	2021
Financial Assets	$	$
Cash and Chas Equivalents	1,513,946	831,606
Receivables from exchange transactions	168,057	45,203
Financial Assets at Fair Value through Profit and Loss	1,493,196	2,369,594
	3,175,199	3,246,403
Financial Liabilities		
Accounts payable from exchange transactions	132,632	433,688
Sundry payables	426,283	64,796
Employee liabilities	48,247	27,454
	607,162	525,938

VPIS has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the entity is exposed to credit risk are:

- Reinsurers' share of insurance liabilities.
- Amounts due from reinsurers in respect of claims already paid.
- Amounts due from insurance contract holders.
- Amounts due from money market and cash positions.

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

11 Financial instrument risk (cont)

VPIS structures the levels of credit risk it accepts by placing limits on its exposure by having reinsurer insurance in place to cover amounts that exceed $50,000 in one claim or $200,000 over one insurance year. Reinsurance is used to manage insurance risk.

Liquidity and market risk are managed by VPIS through the reinsurance agreement and through limited cover explained above. VPIS's reinsurance provider has a financial risk rating of A+.
Up to 30 September 2022, as a small insurer, VPIS was not required to have a credit rating. Subsequent to balance date, VPIS obtained a credit rating and has been given a B (fair) insurer financial strength rating by AM Best.

12 Commitments

There were no commitments at year end (2021: $nil).

13 Key management personnel

VPIS services apart from the employees and contractors of VPIS are provided under contract from New Zealand Veterinary Association Incorporated (NZVA). VPIS during the year ended 30 September 2022 had 3 full time employees. There is a management fee charged by NZVA (see note 14) which includes some staff salaries and other support services provided.

14 Related party transactions

Rental

VPIS receives rental income from New Zealand Veterinary Association Incorporated (NZVA) who occupies the premises. Rental Income received for the year was $28,104 (2021: $28,104), owed to VPIS as at 30 September 2022 was $2,693 (2021: $2,693).

Management fees

VPIS is charged by NZVA for management services provided to VPIS. All transactions are agreed by the VPIS Board.
Management fees were $55,692 (2021: $40,333).
Amounts owed to NZVA as at 30 September 2022 were $6,630 (2021: $3,900).

Key management personnel

Total costs incurred $137,218 (2021: $127,781).

Fees paid to board members

Board members of the VPIS are contracted as insurance assessors from time to time. The Board have determined that if a board member also earns income as an assessor and this amount is less than 2% of the gross annual insurance income then they are deemed to be an independent board member.
Board member fees, Audit and Risk Committee fees and membership committee fees paid for the year were $88,800 (2021: $82,965).
Board and Audit and Risk Committee fees owed to Board members as at 30 September 2022 were $nil (2021: $nil).
Assessors Fees paid to Board members for the year was $92,212 (2021: $117,239).
Board Members received the following payments:

Name	Assessor Fees		Assessor Fees Payable at Balance Date (inc GST)	
	2022	**2021**	**2022**	**2021**
Gavin Shepherd (Board Chair)	-	1,890	-	-
Brendon Bell	13,775	3,125	-	-
James Rhynd	-	-	-	-
Mark Gilmour	23,751	34,765	5,957	-
Paul Fraser	15,798	7,551	930	-
Steve Cranefield	9,620	5,565	-	-
Tanya Page	26,633	39,180		4,571
Vince Peterson	2,636	25,133	-	-
	92,212	**117,239**	**6,887**	**4,571**

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15 Impact of COVID 19

The surplus to 30 September has been impacted by Covid-19 due to the following;

a) Impact on Members which impact financially on VPIS

Despite initial projections of a reduction in membership turnover, a high proportion of members experienced increased demand over the past year, especially in companion animal practices, supported by increased pet ownership.

Claim volume has increased significantly, due to the challenging covid environment. Increased demand for services alongside a shortage of veterinarians, closed borders and high stress levels in veterinarians and the public have resulted in increased mistakes and more persistent claimants.

b) Compliance costs

Compliance demands specific to Covid-19 have eased slightly. The financial impact is negligible.

c) Investment returns

Investment markets have experienced periods of volatility directly and indirectly resulting from Covid-19. Related to this VPIS has restructured its investments to a more conservative portfolio to protect its capital. Interest rates have begun to show signs of increasing.

d) Board and Staff

Like last year travel has been interrupted as a result of Covid-19. VPIS has utilised remote working systems for the day to day running of its business as well as in place of face-to-face meetings, including the Annual General Meeting (AGM).

16 Events subsequent to reporting date

Effective 1 October 2022, the Society no longer meets the criteria of a small insurer and the related reporting exemptions will no longer apply. Therefore, the Society will report under Tier 1 Non-For-Profit Standards from 1 October 2022.

17 Potential legal costs

There is an ongoing defence of allegations made by a former service provider. While VPIS is not named as a defendant in this case there are potential legal costs to be incurred and therefore VPIS has lodged a claim under its Association Liability policy. The outcome of these proceedings is not expected to be significant to VPIS and based on the current facts and circumstances and legal advice the board are confident in respect of the likely outcome and do not consider any provision necessary.

18 Audit fees

Audit fees of $21,750 (2021: $16,750) and Solvency fees of $7,250 (2021: $5,500) were paid to Deloitte.

19 Retrospective restatement

As disclosed in note 3, the Society revised its accounting policy in relation to its investment property during the year and its recognition of cash and cash equivalents. Historical financial information has been restated to account for the impact of the change in accounting policy, as follows:

Financial Statement Item	As previously stated	Revised	As restated
	30 -Sep-21		**30-Sep-21**
Statement of Comprehensive Income	**DR/(CR)**	**DR/(CR)**	**DR/(CR)**
Depreciation	5,087	(3,524)	1,563
Revaluation of Investment Property	-	(32,500)	(32,500)
Total Surplus for the year	**5,087**	**(36,024)**	**(30,937)**
Statement of Changes in Equity			
Opening Balance	(3,097,019)	(85,570)	(3,182,589)
Total comprehensive revenue and expenses	(167,120)	(36,024)	(203,144)
Total Equity	**(3,264,139)**	**(121,594)**	**(3,385,733)**
Statement of Financial Position			
Investment Property	190,906	121,594	312,500
Total Assets	**190,906**	**121,594**	**312,500**
Statement of Cashflows			
Net Cash used in Investing Activities	-	-	-
Cash and cash equivalents at end of year	-	-	-

The effect on prior years due to the changes above was an increase in Investment Property of $85,570 and an increase in Revaluation of Investment Property of $85,570. This has been captured in the increase in Opening Balance on the Statement of Changes in Equity.

VETERINARY PROFESSIONAL INSURANCE SOCIETY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

20 Recent accounting pronouncements

Public benefit entity international financial reporting standard 17 insurance contracts (IFRS 17) was issued in July 2019 with amendments up to and including 20 August 2020. IFRS 17 applies to periods beginning on or after 1 January 2023.

IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts. IFRS 17 requires entities to measure insurance contract liabilities at their current fulfilment values using one of three measurement models, depending on the nature of the contract. IFRS 17 is to be applied retrospectively to each group of insurance contracts unless impracticable. IFRS 17 will affect how the Society accounts for insurance contracts and how it reports financial performance. The Society is currently assessing the impact of IFRS 17 and anticipates it will have an impact on the timing of earnings recognition and the presentation and disclosure of financial results in the Financial Statements.

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Independent Auditor's Report

To the Members of Veterinary Professional Insurance Society Incorporated

Opinion

We have audited the financial statements of Veterinary Professional Insurance Society Incorporated (the 'Society'), which comprise the statement of financial position as at 30 September 2022, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 4 to 20, present fairly, in all material respects, the financial position of the Society as at 30 September 2022, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

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

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

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

Other than in our capacity as auditor, we have no relationship with or interests in the Society.

The Board Members' responsibilities for the financial statements

The Board Members are responsible on behalf of the Society for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/auditreport-8

This description forms part of our auditor's report.

Deloitte.

Restriction on use

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

Deloitte Limited

Wellington, New Zealand

15 February 2023