Southern Response Earthquake Services Limited

Statement of Performance Expectations

For Financial Year ending 30 June 2027

This Statement of Performance Expectations (SPE) is submitted by the Board of Directors of Southern Response Earthquake Services Limited ('Southern Response' or the 'Company'), pursuant to the Crown Entities Act 2004. It sets out the performance expected of Southern Response for the period 1 July 2026 to 30 June 2027.

STATEMENT OF RESPONSIBILITY

Southern Response is responsible for the statements contained in this document, including the appropriateness of the assumptions underlying them. Southern Response is responsible for internal control systems that provide reasonable assurance as to the integrity of its financial reporting.

Bevan Killick

Bevan Killick

Chair

Aedeen Boadita-Cormican

Director

4 June 2026

ABOUT THE COMPANY

SCOPE AND PURPOSE

Southern Response (formerly AMI Insurance Limited) exists as a result of the Crown providing support to customers following the failure of AMI Insurance that occurred during 2011 to 2012. On 5 April 2012, the Company became a Crown-owned Company and was named in Schedule 4A of the Public Finance Act. This occurred following the sale of the Company's non-earthquake claim related business to IAG (NZ) Holdings Limited.

The Company is responsible for settling the Covered Claims[1] of AMI residential policyholders arising from earthquakes that occurred in the Canterbury Earthquake Sequence up to 5 April 2012.

The Company's core purpose is to resolve its customers' claims in a fair, timely 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, the delivery of the Package[1] and the resolution of any legal disputes and/or proceedings in respect of settled claims.

CLAIM SETTLEMENTS

The Company has settled over 50,000 Covered Claims in its lifetime, resolved over 1,150 post settlement claims[1] and made payments on over 10,600 claims under the Package.

As at 31 March 2026, the Company was currently liable for a total of 92 Covered Claims (all currently overcap[1] claims), was managing 13 post settlement claims, and was second defendant in four litigated undercap claims.

The Company continues to become liable for new overcap claims that originate from Natural Hazards Commission Toka Tū Ake ("NHC") re-openings. The greatest uncertainty is how many new claims the Company will ultimately become liable for in the coming years.

Of the 92 open overcap Covered Claims, only 31 of these (34%) are long-standing legacy claims which had been opened prior to the inception of the Agency Agreement[1] (January 2020). The balance of open Covered Claims (61) is the result of NHC re-openings (748 opened, 687 settled) since this time.

Claim forecasts, which are consistent with NHC forecasts, indicate that the Company can expect to become liable for new claims until at least 2035 and likely beyond.

The Company continues to ensure claims are settled with an appropriate level of scrutiny. By ensuring there is sufficient evidence gathered to support earthquake damage assessments and the associated reinstatement methodologies and where appropriate, reasonably refusing unnecessary scope items, the Company incurs fewer claim costs and supports Crown fiscal objectives.

OPERATIONS

The Company continues to ensure it remains fit for purpose with focused resources and controlled costs as it works towards the ultimate wind-down and closure of its operations.

Day-to-day claim settlement activities are outsourced to NHC under an Agency Agreement, with the Company continuing to provide specialist technical and settlement support where required. The Company continues to retain ultimate responsibility, key decision making and liability for its Covered Claims.

The Company continues to manage its operations in an effective and efficient way and engages a small team of employees and contractors to; support NHC to settle claims, process residual Package applications, discharge its governance, financial and legal obligations and resolve any legal disputes and/or proceedings.

The eventual operational wind-down of the organisation remains a key focus for the Company. The Company works proactively, openly and cooperatively with the Crown and other key stakeholders in considering the options of possible future pathways to ensure obligations are met in the most efficient and effective manner.

[1] Glossary of terms on page 3 of this document.

GLOSSARY

Covered Claims	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[2] 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 the Company 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).[3] *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).*
The "Package"	During the 2022 to 2025 financial years, the Company proactively delivered a Package to provide eligible policyholders who had cash settled Covered Claims prior to October 2014, with an additional payment. The Company continues to process any claims under the Package but further proactive contact activities for customers that the Company has already attempted to reach effectively ceased from 1 July 2025.
Agency Agreement	The Amended and Restated Agreement Relating to Management of Outstanding Canterbury Earthquake Claims (between NHC and Southern Response).
Overcap Claims	At the time of the Canterbury Earthquake Sequence, NHC insured the first $100,000 + GST ($115,000) of damage to a house for each earthquake event (the 'cap'). 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'.
Other Claims	Other claims include undercap and overcap temporary accommodation, out-of-scope ("OOS"), contents, and loss of rent claims
Post Settlement Claims	Post settlement claims are settled Covered Claims that have re-opened due to post settlement issues or events.
OOS Claims	An OOS 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).

[2] As of 1 July 2024, the Earthquake Commission (EQC) became the Natural Hazards Commission Toka Tū Ake (NHC)
[3] Note that work on claims that meet this specific definition has not been required for a number of years.

STRATEGIC OBJECTIVES

PLANNING AND REPORTING FRAMEWORK

This Statement of Performance Expectations is supported by the following corporate documents which together provide an accountability framework that allows the Company to demonstrate and report on its organisational performance against its objectives.

The **Statement of Intent** which sets which sets the Company's strategic objectives for the three-year period 1 July 2025 to 30 June 2028.

The **Annual Report** which highlights progress against the Statement of Intent, assesses results against the Statement of Performance Expectations, and provides an overview of key activities and achievements.

PERFORMANCE TARGETS

Performance targets for the Company's activities are measured as milestones and KPIs in respect of each strategic objective. These are not defined as reportable outputs under the Crown Entities Act.

The Company's current strategic objectives, which are unchanged from the prior year, are:

1. Notified Covered Claims and residual Package claims are settled effectively
2. Litigated claims and legal risks generally are appropriately managed
3. Ongoing governance, financial and legal obligations are met
4. The Company is efficiently and effectively managed through its final phase

OBJECTIVES

Objective 1 - Notified Covered Claims and residual Package claims are settled effectively

The Company will continue to settle the remaining overcap and OOS Covered Claims of AMI policyholders with claims resulting from the Canterbury Earthquake Sequence:

- in accordance with insurance policy obligations and,
- in a timely, fair and enduring manner.

The Company will also continue to process residual Package claims in line with the principles agreed with the Crown and ensure post settlement claims are managed effectively.

The table below (Table 1) sets out the number of open Covered Claims as at 31 March 2026 and the forecast of total open claims at both 30 June 2026 and 30 June 2027. The Company continues to receive new overcap claims arising from NHC undercap re-openings and there remains significant uncertainty as to how many new claims from NHC that the Company will become liable for in the coming year.

Table 1 – Covered Claims

Claim type	*31 March 2026*	*30 June 2026*	*New claims*	*Settled claims*	*30 June 2027*
Overcap	92	101	94	105	90
Other claims	0	1	12	13	0
Total	**92**	**102**	**106**	**118**	**90**

What will achievement of this outcome look like?

- The number of Covered Claims reduces in accordance with the Company's actuarial forecasts for the year (refer Table 1).
- 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.
- Package applications are processed and paid (where eligible) within 90 days of receipt of the application.

Objective 2 - Litigated claims and legal risks generally are appropriately managed

It is necessary for the Company to discharge any obligations arising from its build programme and resolve any legal disputes and/or proceedings in respect of post settlement claims.

The Company is involved in ongoing litigation and recognises that in the current legal landscape there is a risk of further potential representative actions. It is important that litigation and legal issues faced by the Company are appropriately managed and the implications of any judicial decisions are understood.

What will achievement of this outcome look like?

- Where it is appropriate to do so, the Company has demonstrably offered alternative dispute resolution channels to customers when any form of litigation arises.
- The Company has a clear understanding of its portfolio of claims that remain and also those that have settled.

Objective 3 – Ongoing governance, financial and legal obligations are met

The Company must ensure that appropriate resources are in place to enable the Company to meet its ongoing governance, legal and financial obligations. The Company will act in a financially responsible manner and be open and collaborative with the Treasury to report on commercial and financial performance.

What will achievement of this outcome look like?

- The Company is compliant with obligations arising from the Public Finance Act 1989, the Crown Entities Act 2004, the Companies Act 1993 and any other relevant legislation.
- Liquidity is managed in accordance with the Company's treasury policy, including reporting of projected shortfalls to accompany funding requests in a timely manner.
- The Company achieves a positive audit report in relation to its management, financial and service performance, information systems and controls.

Objective 4 - The Company is efficiently and effectively managed through its final phase

As the claims settlement process nears completion, the Company will continue to work towards the wind-down and closure of its operations with fiscal discipline and ensure any remaining obligations or liabilities are appropriately managed until they can be ultimately discharged.

There will continue to be a focus on reviewing costs, adapting to the current climate of claim activity, and regularly right-sizing the organisation and its resources to achieve sustainable cost-efficient delivery of services.

The Company will continue to work with the Treasury and any other relevant parties to provide them with any assistance when future options for the Company are assessed.

With the significant uncertainty as to how many new claims will still be received by the Company in the future, it will continue to explore options available to manage the tail of Canterbury claims and work collaboratively with NHC and the Treasury on any opportunities that arise.

The Company will ensure that, to the extent that is practicable and possible, corporate knowledge is documented, refreshed, and retained in a readily accessible way. This will mitigate the risk of key personnel departing the organisation as its operational size reduces.

What will achievement of this outcome look like?

- Operating costs are in line with financial forecasts
- The Company has worked collaboratively with the Treasury and NHC to provide shareholding Ministers with an analysis of options to manage the tail of Canterbury claims, and to evaluate opportunities and implement any resulting initiatives of this analysis.
- The Company's Corporate Guide is up to date and record of the Company's physical and intangible assets, residual rights, obligations and liabilities, and data holdings is maintained.

FINANCIAL STATEMENTS

FORECAST FINANCIAL STATEMENTS

The forecast financial statements below include a Forecast Statement of Comprehensive Income, Forecast Statement of Financial Position, Forecast Statement of Changes in Equity and Forecast Statement of Cash Flows for the 2026 and 2027 financial years.

The Company is funded by the Crown to deliver its objectives. In August 2024, the Company exhausted its share capital funding as set out in the Crown Support Deed and its subsequent amendments. The Company will continue to request funding under Crown Indemnity One[4] during the 2026 and 2027 financial years. This funding is recognised as income when requested. Other income received by the Company is by way of interest earned on surplus cash balances held in short-term investments.

The Company incurs expenditure as part of its activities. Operating expenditure (i.e. the day-to-day running of the Company) is split between "claims handling expenses" (for the claim management costs and associated overheads) and "corporate expenditure" (for all other Company expenditure and overheads).

Claims handling expenses are provisioned for as a component of the liability for incurred claims (LIC) and are unwound through "insurance service expense" in the statement of comprehensive income as it is incurred. Corporate expenditure is recognised when it is incurred in the statement of comprehensive income.

[4] 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. Under this 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 Package and is not capped at any monetary amount.

FORECAST STATEMENTS OF COMPREHENSIVE INCOME

	Year Ending 30 June 26 FORECAST $000	Year Ending 30 June 27 FORECAST $000
Income		
Investment Income	815	442
Crown Indemnity income	28,000	48,000
Total Income	**28,815**	**48,442**
Insurance results		
Actuarial adjustments to the LIC	(5,429)	6,546
Unwind the risk adjustment of the LIC	(27)	0
Claims Handling Expenses (CHE)	(5,840)	(6,546)
Insurance service expense	(11,296)	0
Insurance finance expense (discounting unwind)	(669)	(4,004)
Net insurance result	**(11,965)**	**(4,004)**
Corporate Expenses		
Depreciation	(19)	(9)
Company Overheads	(2,521)	(1,809)
Total Corporate Expenses	(2,540)	(1,818)
Gain on Disposal of Fixed Assets	2	0
Surplus/(Deficit)	**14,313**	**42,621**
Taxation	0	0
Surplus/(Deficit) After Tax	**14,313**	**42,621**

FORECAST STATEMENTS OF CHANGES IN EQUITY

	Year Ending 30 June 26 FORECAST $000	Year Ending 30 June 27 FORECAST $000
Opening Equity	(167,138)	(152,825)
Surplus / (Deficit) After Tax	14,313	42,621
Closing Equity	**(152,825)**	**(110,204)**

FORECAST STATEMENTS OF FINANCIAL POSITION

	30 June 26 FORECAST $000	30 June 27 FORECAST $000
EQUITY		
Ordinary Share Capital	1,457,939	1,457,939
Retained Earnings / (Losses)	(1,610,764)	(1,568,144)
TOTAL EQUITY	**(152,825)**	**(110,204)**
Represented By:		
ASSETS		
Cash & Cash Equivalents	21,299	16,248
Sundry Debtors	456	231
Crown receivable	10,000	6,000
Fixed Assets	9	0
TOTAL ASSETS	**31,764**	**22,479**
LIABILITIES		
Sundry Creditors	(2,172)	(2,174)
Liability for Incurred Claims (LIC)	(182,417)	(130,510)
TOTAL LIABILITIES	**(184,589)**	**(132,684)**
NET ASSETS/(LIABILITIES)	**(152,825)**	**(110,205)**

FORECAST STATEMENTS OF CASH FLOW

	Year Ending 30 June 26 FORECAST $000	Year Ending 30 June 27 FORECAST $000
Cash Flows From Operations		
Investment Income Received	925	529
Proceeds from Crown Indemnity One	30,000	52,000
Proceeds from Crown Indemnity Two	0	0
Claims Paid (incl. utilising risk adjustment)	(25,859)	(49,366)
Other Operating Expenses Paid	(6,655)	(8,215)
Net Cash Flow From Operations	**(1,590)**	**(5,051)**
Cash Flows From Investing		
Sale of fixed assets	2	0
Purchase of fixed assets	0	0
Net Cash Flow From Investing	**2**	**0**
Net Cash Flow From Financing	**0**	**0**
NET CASH MOVEMENT	**(1,588)**	**(5,051)**
Opening Cash Balance	22,887	21,299
CLOSING CASH BALANCE	**21,299**	**16,248**

NOTES TO THE FINANCIAL STATEMENTS

Reporting Entity

Southern Response is a limited liability company incorporated and domiciled in New Zealand and registered under the Companies Act 1993.

The Company is a Crown-owned entity listed in schedule 4A of the Public Finance Act 1989.

The 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

These prospective financial statements have been prepared for the purpose of providing information on the Company's future operating intentions and financial position against which it must report and be formally audited at the end of the financial year.

These prospective financial statements have been prepared:

- in accordance with the relevant requirements of the Public Finance Act 1989 and the Crown Entities Act 2004, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).
- in accordance with FRS-42 and NZ GAAP as it relates to prospective financial statements.
- in accordance with NZ GAAP as appropriate for-profit oriented companies.
- on a GST-exclusive basis, except for trade payables which are presented on a GST-inclusive basis.
- on a historical cost basis, except for certain assets which have been measured at fair value and all insurance liabilities have been measured in accordance with NZ IFRS 17 Insurance Contracts.
- in New Zealand dollars rounded to the nearest thousand ($000).

The forecast financial statements have been presented on a going concern basis, deemed appropriate given the funding available under Crown Indemnity One and Crown Indemnity Two[5].

Statement of Significant Underlying Assumptions

Timelines and Scope of Activities

The forecast is based on:

- Actual, unaudited results to 31 March 2026.
- An independent actuarial valuation of the liability for incurred claims as at 31 March 2026 and the accompanying future payment patterns.
- The Company being responsible for the management of an ultimate number of 9,819 properties with overcap claims. As at 31 March 2026, approximately 9,400 have been reported to the Company.
- Continuing to outsource claims management to NHC as agent. A small number of employees and contractors continue to be engaged directly by the Company to; provide support to NHC, process residual Package applications, and fulfil corporate responsibilities. All employees are on fixed term contracts through to 30 June 2027, at which point demand for services will again be re-assessed based on the remaining level of outstanding claims.

Insurance Contract liabilities

- The actuarial valuation at 31 March 2026 assessed the risk adjustment of the discounted liability for incurred claims, with at least 75% probability of sufficiency, at $51 million.
- The forecast financial statements assume the risk adjustment will be required to settle customer claims and accordingly is not amortised (credited) to the profit and loss account as claims are paid.
- The liability for incurred claims (LIC) includes a provision for future claims handling expenses that represents:
  - the claim management services outsourced to NHC as agent,
  - employees and contractors engaged directly by the Company who provide claim settlement support, and
  - an allocation of Company overheads.
- It is assumed that the Company will continue to receive new claims (albeit at a reduced rate) until the end of calendar year 2035.
- The total number of outstanding overcap claims as at 30 June 2027 is forecast to be 69.

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[5] On 29 August 2025, the Crown entered into a Deed of Indemnity to cover the Company's funding shortfall in order to assist the Company in meeting all outstanding liabilities and operating costs necessary for the Company to achieve its purpose.

Taxation

- The Company is a tax paying entity and has incurred significant tax losses to date. The tax losses are available and sufficient to offset any assessable income that may arise in future years; however, the tax benefit of the losses has not been recognised as an asset.

Expenditure

- Company overheads include employee and contractor costs (e.g. management, reporting and administration), legal and professional fees that are not directly claims related. The portion remaining after allocation to claims handling expense is shown in the statement of comprehensive income as "corporate expenses".

Income

- Crown Indemnity One will provide funding until 2028. The Company will request funding on a quarterly basis.
- Crown Indemnity Two will cover any funding shortfall from 2028 onwards.
- Investment income is interest earned on cash and cash equivalents held with New Zealand registered banks on call or short-term deposits.

Key Risks to the Financial Forecasts

- The actuarial valuation of the liability for incurred claims may increase in subsequent valuations. Key components of this are:
    - The ultimate number of claims increasing beyond what has been allowed for in the valuation, and
    - Escalation in settling the remaining body of outstanding claims, including additional costs for settling disputed and litigated claims.
- The risk adjustment is subject to ongoing review by the Company's appointed actuary and may be amended in response to changes in the risk profile of remaining claims.

Material Accounting Policies

Accounting Policies Related to 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* include changes in the estimated future cashflows relating to the liability for incurred claims, and changes in the risk adjustment.
- *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.
- 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.

Critical Accounting Estimates and Assumptions

In preparing these forecast financial statements, the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results and the variations may be material.

Estimates and assumptions are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions have significant risk of causing material adjustment to the carrying amount of the assets and liabilities within the forecast financial statements.

Significant judgements and estimates in valuing the LIC

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.

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. The assumptions are reassessed at each reporting date and adjusted where required. The assumptions have not changed in the current financial year.

  Most outstanding earthquake run-off claims are overcap 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.

- ***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 LIC. 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.