General Reinsurance Life Australia Ltd.

New Zealand Branch

Financial Report for the Financial Year ended 31 December 2023

A Berkshire Hathaway Company

CONTENTS

DIRECTORS' REPORT

The Directors present their report together with the annual financial report for the financial year ended 31 December 2023 and the auditor's report thereon. The New Zealand Branch (the branch) is a foreign operation of General Reinsurance Life Australia Ltd (the company) incorporated in Australia.

Directors

The Directors of the company during or since the end of the financial year are:

Kathryn J McCann (commenced as Chairperson 19 August 2016)
Keith Scott (commenced 1 January 2017)
Stephen Ferguson (commenced 18 November 2021)
Andrew Gifford (commenced 1 July 2020)
James Louw (commenced 6 May 2020)

Name and qualifications	*Experience and special responsibilities*
Kathryn J McCann B.App.Sci (Computing Science), MBA, MAICD - Chair of the Board - Non-Executive Director - Member of Board Audit Committee - Member of Board Risk Committee - Member of Board Remuneration Committee	Ms McCann has over 33 years' experience in the finance and business management industry. She is a director of Astro Japan Property Group Limited and General Reinsurance Life Australia Ltd. She holds a Master of Business Administration degree and held the position of Principal of a major management consulting firm up to 2002. A Director since August 2006 and a member of the Board Audit Committee since November 2006. She was appointed as Chair of the Board effective 19 August 2016.
Keith Scott FAICD, FCII, MA (Cantab) - Non-Executive Director - Chair of Board Risk Committee - Chair of Board Remuneration Committee - Member of Board Audit Committee	Mr Scott has over 22 years' board level experience across the Australian and Asian insurance markets following extensive international executive reinsurance experience with Swiss Re. He was appointed to the Board in January 2017 and also holds the positions of Independent Director at Insurance Manufacturers of Australia Pty Limited and Non Executive Director of Blue Life Insurance Company Limited (Hong Kong). He is a Fellow of the Australian Institute of Company Directors and a Fellow of the Chartered Insurance Institute, London.
Stephen Ferguson CA, BCom-Accg, GAICD - Non-Executive Director - Chair of Board Audit Committee - Member of Board Risk Committee - Member of Board Remuneration Committee	Mr Ferguson's executive experience over a period of 30 years has included consulting for a diverse range of industries including banking, capital markets, retail and consumer products, superannuation, insurance, and chartered accounting. He has held many roles in the Audit and Assurance function of Ernst & Young, the last 5 years of that time as Asia Pacific Financial Services Accounts Leader - Deputy Managing Partner. He was appointed to the Board on 18 November 2021 and is the chair of the Board Audit Committee. Mr Ferguson is currently the Chair and holds a Director role at Bank Australia and also holds Director roles at QBE, Parkinson's Australia Inc, and at a Not-For-Profit organisation BackTrack Youth Works helping vulnerable youth find opportunities in learning, training, and employment.
Andrew Gifford B.A., JD	Mr Gifford is a member of the Bar of the State of Illinois and is an authorised house counsel in the State of Connecticut. Prior to joining the Gen Re group in 2012, Mr. Gifford was a partner with the law firms Locke Lord Bissell & Liddell LLP and DLA Piper LLP where he handled a wide range of matters, including litigation, for financial and professional services firms. At Gen Re, Mr Gifford has held various roles in the Global Legal Department and is currently Gen Re's Global General Counsel and Corporate Secretary. He is also a director for various Gen Re group entities, including the group holding company General Re Corporation and the group's largest regulated entity General Reinsurance Corporation, and sits on the group Audit and Risk Committees. Mr. Gifford is a graduate of the University of Michigan Law School where he received a Juris Doctorate degree.
James Louw BSc, FIA – Managing Director	Mr Louw has worked for the Gen Re Group since 2001 in various capacities. He joined Gen Re Life Australia in 2008, and was previously the Regional Chief Actuary for GRLA. He was appointed to the Board as Managing Director effective 6 May 2020.

DIRECTORS' REPORT (continued)

Meetings of directors

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the directors of the company during the financial year ended 31 December 2023 are:

Director	*Directors' Meetings*		*Board Audit Committee*		*Board Remuneration Committee*		*Board Risk Committee*	
	A	B	A	B	A	B	A	B
Kathryn J McCann	5	5	4	4	5	5	5	5
Keith Scott	5	5	4	4	5	5	5	5
Stephen Ferguson	5	5	4	4	5	5	5	5
James Louw	5	5	4	4	5	5	5	5
Andrew Gifford	5	5	4	4	5	5	5	5

A - The number of meetings attended.
B - The number of meetings held during the time the Director held office during the year.

Company secretaries

Particulars of the qualifications and experience of each Company Secretary during or since the end of the financial year are set out

Nicholas Thayer (appointed 9 September 2022)
Peter Keller (appointed 19 October 2022)

Name and qualifications	*Experience and special responsibilities*
Nicholas Thayer B.Com, CA	Mr Thayer has been employed by Gen Re for 17 years. He is currently the Corporate General Manager for Australia and New Zealand, and previously held roles as the Global Internal Audit Director and International Audit Manager in Germany. Prior to joining Gen Re he worked in various roles within the financial services industry in London.
Peter Keller Diploma (Mathematics and Business Administration)	Mr Keller has been employed by Gen Re for 3 years. He is currently the Chief Risk and Compliance Officer for Australia and New Zealand. Prior to joining Gen Re he worked in various risk and compliance roles within the financial services industry in Sydney, London and in Germany.

Principal activities

The principal activity of the branch is reinsurance underwriting.

There has been no significant change in the nature of this activity during the year.

Review of operations

Operating Results

The net profit of the branch for the year, after provision for income tax, amounted to $7,410,000 compared with the 2022 restated loss of $1,655,000.

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the branch that occurred during the financial year under review not otherwise disclosed in this report or the financial statements or notes thereto.

DIRECTORS' REPORT (continued)

Events subsequent to balance date

In the interval between the end of the financial year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the branch, to affect significantly the operations of the branch, the results of those operations, or the state of affairs of the branch in subsequent financial years.

Indemnification of officers and auditors

The Board of General Re Corporation (incorporated in the USA) has, by resolution, provided indemnification to each of the Directors of the company, as per the By-Laws of General Re Corporation.

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

Likely developments

There are no future developments in the normal operations of the branch that require comment in this report other than the comments made under the Review of Operations. The directors do not consider there are any likely developments which will impact the operations of the branch.

Environmental regulation

This branch is not subject to significant environmental regulation as the branch operates solely in the financial services sector.

Disclosures

No disclosure has been made in respect of s211(1)(a) and (e) to (j) of the Companies Act 1993 following a unanimous decision by the shareholders in accordance with s211 (3) of the Act.

Acknowledgements

The Directors wish to place on record their appreciation of the support given to our branch by clients. In addition, the Directors take this opportunity to formally thank management and staff for their efforts throughout the year.

Approval

Signed in accordance with a resolution of the Directors made pursuant to Section 211(1)(k) of the Companies Act 1993.

On behalf of the Directors:

Kate McCann

K.J. McCann
Chair

J. Louw
Managing Director

Sydney, 26 March 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	Restated 2022 $'000
Insurance revenue		94,941	84,850
Insurance service expense		(84,622)	(93,644)
Insurance service result from gross reinsurance contracts issued	9	**10,319**	**(8,794)**
Allocation of retroceded reinsurance premiums		(3,101)	(2,812)
Amounts recovered for reinsurers for claims incurred		5	4
Net expense from retroceded reinsurance contracts held	9	**(3,096)**	**(2,808)**
Insurance service result		**7,223**	**(11,602)**
Interest income		9,976	2,959
Net investment gain/(loss)		1,181	(3,417)
Investment expenses		(140)	(120)
Net investment income/(expense)	5(b)	**11,017**	**(578)**
Net finance expenses from gross reinsurance contracts issued	9	(3,383)	14,144
Net finance income from retroceded reinsurance contracts held	9	9	(11)
Net insurance finance (expense)/income		**(3,374)**	**14,133**
Other income and expense	5(a)	(3,608)	(3,453)
Profit/(loss) before income tax		**11,258**	**(1,500)**
Income tax expense	6(a)	(3,848)	(155)
Profit/(loss) after income tax		**7,410**	**(1,655)**

The branch adopted NZ IFRS 17 Insurance Contracts from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 1(i).

This Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Head Office Account	Retained Earnings	Total
	$'000	$'000	$'000
For the financial year ended 31 December 2023			
Balance at 1 January 2023	532	45,669	46,201
Transfers from Australian statutory fund	-	-	-
Total comprehensive income for the year	-	7,410	7,410
Balance at 31 December 2023	**532**	**53,079**	**53,611**
For the financial year ended 31 December 2022	**$'000**	**$'000**	**$'000**
Balance at 1 January 2022	532	60,104	60,636
Impact of initial application of NZ IFRS 17	-	(12,780)	(12,780)
Restated balance at 1 January 2022	**532**	**47,324**	**47,856**
Transfers from Australian statutory fund	-	-	-
Total comprehensive loss for the year	-	(1,655)	(1,655)
Restated balance at 31 December 2022	**532**	**45,669**	**46,201**

All retained earnings are attributable to the shareholder. Shareholder's access to the retained profits and shareholder's capital is restricted to the extent these monies within the Statutory Funds are required to meet solvency and capital adequacy requirements under the Australian Life Insurance Prudential Standards.

Transfers are made between the New Zealand branch statutory fund and the Australian company statutory fund in order to maintain capital requirements and aid in liquidity of either fund. The transfer between funds is a permitted distribution.

The branch adopted NZ IFRS 17 Insurance Contracts from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 1(i).

This Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	2023 $'000	Restated 31 Dec 2022 $'000	Restated 1 Jan 2022 $'000
Assets				
Cash and cash equivalents		22,539	22,900	29,134
Investments	14	211,643	187,530	169,006
Other assets	7	458	1,859	9,354
Gross reinsurance contract assets	9	10,839	23,310	-
Retroceded reinsurance contract assets	9	287	75	41
Current tax assets		2,494	-	-
Deferred tax assets	6(b)	-	472	-
Total assets		**248,260**	**236,146**	**207,535**
Liabilities				
Gross reinsurance contract liabilities	9	108,580	148,320	103,558
Other payables	8	83,012	40,138	51,504
Current tax liabilities		-	1,487	3,760
Deferred tax liabilities	6(b)	3,057	-	857
Total liabilities		**194,649**	**189,945**	**159,679**
Net assets		**53,611**	**46,201**	**47,856**
Equity				
Head office account		532	532	532
Retained earnings		53,079	45,669	47,324
Total equity		**53,611**	**46,201**	**47,856**

The branch adopted NZ IFRS 17 Insurance Contracts from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 1(i).

This Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	Restated 2022 $'000
Cash flows from operating activities			
Premiums received		64,094	71,534
Retroceded reinsurance paid		(3,299)	(2,853)
Claims paid		(84,427)	(44,732)
Reinsurance recoveries (paid)/received		-	-
Policy acquisition costs paid		-	-
Other receipts from/(payments to) employees, suppliers and related parties		40,668	(7,314)
Interest received		2,348	8,614
Investment expenses paid		(140)	(120)
Income tax paid		(4,301)	(3,766)
Net cash provided by operating activities	13	**14,943**	**21,363**
Cash flows from investing activities			
Payments for purchase of investments		(53,846)	(208,506)
Proceeds from sale/maturity of investments		38,542	180,909
Net cash used in investing activities		**(15,304)**	**(27,597)**
Cash flows from financing activities			
Capital transfer from Australian statutory fund		-	-
Net cash provided by financing activities		**-**	**-**
Net decrease in cash and cash equivalents during the financial year		(361)	(6,234)
Cash and cash equivalents at beginning of financial year		22,900	29,134
Cash and cash equivalents at end of financial year		**22,539**	**22,900**

The branch adopted NZ IFRS 17 Insurance Contracts from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 1(i).

This Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

These general purpose financial statements cover General Reinsurance Life Australia Ltd. - New Zealand Branch (the branch). The branch is domiciled in New Zealand, registered address at 55 Shortland Street, Auckland. The branch is a Financial Markets Conduct reporting entity under the Financial Markets Conduct Act 2013, and its financial statements comply with this Act and the Companies Act 1993.

On 22 May 2013 the branch became an issuer as required by the Insurance (Prudential Supervision) Act 2010.

The annual financial statements have been prepared in accordance with the Generally Accepted Accounting Practice in New Zealand (‘NZ GAAP’). They fully comply with the New Zealand Equivalents of International Financial Reporting Standards (‘NZ IFRS’) and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (‘IFRS’).

The accounting policies below have been applied in preparing the financial statements for the financial year ended 31 December 2023 and comparative information presented in these financial statements for the financial year ended 31 December 2022.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the branch’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been disclosed in Note 2.

These financial statements are presented in New Zealand Dollars ($), which is the branch’s functional currency. All financial information presented in New Zealand Dollars has been rounded to the nearest thousands, except where otherwise indicated.

The New Zealand Branch is part of General Reinsurance Life Australia Ltd. (the company) which is incorporated in Australia. The assets of the branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the accompanying Statement of Financial Position and its debts may result in claims against assets not appearing thereon.

The financial statements were authorised for issue by the Directors on 26 March 2024.

Basis of preparation

The financial report has been prepared in accordance with the historical cost convention, except for financial assets which are stated at fair value, reinsurance contracts liabilities, retroceded reinsurance contract liabilities, reinsurance contract assets and retroceded reinsurance contracts assets which have been inflation adjusted and discounted as required by NZ IFRS 17 "Insurance Contracts".

The financial statements provide comparative information in respect of the previous period. In addition, the company presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2022 is presented in these financial statements due to the retrospective application of accounting policies as a result of the adoption of NZ IFRS 17 "Insurance Contracts".

Summary of significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. There have been no significant changes to accounting policies during the financial year. The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Reinsurance contracts issued

Separating components from reinsurance contracts

The branch assesses its reinsurance contracts to determine whether they contain distinct components which must be accounted for under another accounting standard rather than NZ IFRS 17. After separating any distinct components, an entity must apply NZ IFRS 17 to all remaining components of the reinsurance contract. The branch has not identified any distinct components that require separation.

Level of aggregation

NZ IFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the branch is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. For level of aggregation purposes, no group may contain contracts issued more than one year apart.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(a) Reinsurance contracts issued (continued)

Level of aggregation (continued)

The branch has defined portfolios of insurance and reinsurance contracts issued based on its product lines due to the fact that the products are subject to similar risks and are managed together. The branch has developed a model to calculate if any contract is onerous at transition and subsequently each quarter. Onerous contract losses are measured based on an estimation of fulfilment cash flows and are recognised immediately in profit or loss.

Recognition

The branch recognises groups of reinsurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of reinsurance contracts.
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

The branch groups only contracts issued within a one year period meeting the recognition criteria by the reporting date.

Retroceded reinsurance contracts held are accounted for separately from underlying gross reinsurance contracts issued and are assessed on an individual contract basis.

Contract boundary

The branch includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the branch can compel the policyholder to pay the premiums, or in which the branch has a substantive obligation to provide the policyholder with services.

A substantive obligation to provide insurance contract services ends when the branch has the practical ability to reassess the risks of a particular policyholder and, as a result, to change the price charged or the level of benefits provided for the price to fully reflect the new level of risk.

Measurement of reinsurance contracts issued - general measurement model

Reinsurance contracts issued – initial measurement

The general measurement model measures a group of reinsurance contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts.

The fulfilment cash flows are the current unbiased and probability-weighted estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk. In arriving at a probability-weighted mean, the branch considers a range of scenarios to establish a full range of possible outcomes incorporating all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of expected future cash flows. The estimates of future cash flows reflect conditions existing at the measurement date including assumptions at that date about the future.

The branch estimates expected future cash flows for a group of reinsurance contracts at a portfolio level and allocates them to the groups in that portfolio in a systematic and rational way.

When estimating future cash flows, the branch includes all cash flows within the contract boundary including:

- Premiums and any additional cash flows resulting from those premiums.
- Reported claims that have not yet been paid, claims incurred but not yet reported, future claims expected to arise from the policy and potential cash inflows from recoveries on future claims covered by existing insurance contracts.
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the issued contract belongs.
- Claim handling costs.
- Policy administration and maintenance costs including recurring commissions expected to be paid to intermediaries.
- Transaction-based taxes.
- An allocation of fixed and variable overheads directly attributable to the fulfilment of insurance contracts.

The time value of money and financial risk is measured separately from expected future cash flows with changes in financial risks recognised in profit or loss at the end of each reporting period.

The Best Estimate Liability ('BEL') cashflows are discounted in SAS using a centrally provided yield curve that is risk-free in nature and inclusive of an implied illiquidity premium. The illiquidity premium is determined using APRA’s approach within LPS112. Single risk-free discount rates are based on government bond rates and consideration of the term of the liabilities.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(a) Reinsurance contracts issued (continued)

Measurement of reinsurance contracts issued - general measurement model (continued)

Reinsurance contracts issued – initial measurement (continued)

The Contractual Service Margin (CSM) is a component of the asset or liability for the group of reinsurance contracts that represents the unearned profit the branch will recognise as it provides services in the future. The branch measures the CSM on initial recognition at an amount that, unless the group of reinsurance contracts is onerous, results in no income or expenses arising from:

- Initial recognition of the fulfilment cash flows.
- Derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows.
- Any cash flows arising from the contracts in the group at that date.

For groups of contracts assessed as onerous, the branch has recognised a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the CSM of the group being zero. A loss component has been established by the branch for the liability for remaining coverage for an onerous group depicting the losses recognised.

The liability for remaining coverage is the company’s obligation to investigate and pay valid claims for insured events that have not yet occurred and at initial recognition, comprises all remaining expected future cash inflows and cash outflows under an insurance contract plus the CSM for that contract.

The liability for incurred claims 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. At initial recognition of a group of reinsurance contracts, the liability for incurred claims is usually nil as no insured events have occurred.

Reinsurance contracts issued – subsequent measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group.
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- The changes in fulfilment cash flows relating to future service, except to the extent that such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss or such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- The effect of any currency exchange differences on the CSM.
- The amount recognised as insurance revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM.

- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM).
- Changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

The branch measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the branch comprised the fulfilment cash flows related to past service allocated to the group at that date.

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(a) Reinsurance contracts issued (continued)

Presentation

The branch has presented separately in the statement of financial position the carrying amount of groups of insurance contracts issued that are assets, groups of reinsurance contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts are recognised are included in the carrying amount of the related groups of reinsurance contracts issued.

The branch disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses.

The branch does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The branch separately presents income or expenses from retroceded contracts held from the expenses or income from reinsurance contracts issued.

Insurance revenue

The branch's insurance revenue depicts the provision of coverage and other services arising from a group of reinsurance contracts at an amount that reflects the consideration to which the branch expects to be entitled in exchange for those services. Insurance revenue from a group of reinsurance contracts is therefore the relevant portion for the period of the total consideration for the contracts. The total consideration for a group of reinsurance contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The CSM release.
- Amounts related to insurance acquisition cash flows.

For management judgement applied to the amortisation of CSM, please refer to Note 2.

Loss components

The branch establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for nonfinancial risk at the beginning of each year (or on initial recognition if a group of reinsurance contracts is initially recognised in the year).

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

The branch systematically allocates expected total insurance finance income or expenses over the duration of the group of reinsurance contracts to profit or loss using discount rates determined on initial recognition of the group of reinsurance contracts.

Net income or expense from reinsurance contracts held

The branch presents separately on the face of the statement of profit or loss and other comprehensive income the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The branch treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(b) Retroceded reinsurance contracts held

The measurement of retroceded contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes
- The branch determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer
- The branch recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition
- Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM

(c) Basis of expense apportionment

Expenses are incurred in relation to the acquisition and maintenance of life insurance policies.

Expenses of the company have been apportioned to the branch as follows:

- Expenses directly identifiable with the branch have been recorded as incurred
- On a predetermined rate based on the estimated time spent on matters relating to the branch

(d) Investments

Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVPL, transaction costs are added to this amount.

Measurement categories

The branch classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following: amortised cost, FVOCI or FVTPL. At 31 December 2023, the company did not hold any assets classified FVOCI.

Financial instruments measured at amortised cost

Financial instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows.
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The branch determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The branch holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The branch considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The branch's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the branch's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of asset sales are also important aspects of the branch's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the branch's original expectations, the branch does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(d) Investments (continued)

Measurement categories (continued)

Financial instruments measured at amortised cost (continued)

As a second step of its classification process the branch assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the branch applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets measured at fair value through profit or loss

The branch's investments are required to be measured at fair value through profit or loss, with all investments managed and assessed on a fair value basis to optimise returns within risk appetites and investment strategy parameters and limits. They are therefore initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and are remeasured to fair value through profit or loss at each reporting date. The election of measuring investments at fair value at initial recognition is to eliminate any accounting mismatch between the investments the duration of insurance liabilities.

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

Subsequent measurement

Financial instruments measured at amortised cost

After initial measurement, financial instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the statement of profit or loss when the investments are impaired. After initial measurement, financial instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the statement of profit or loss when the investments are impaired.

Financial assets measured at fair value through profit or loss

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

(e) Foreign currency

Foreign currency transactions are translated to New Zealand currency at the rates of exchange ruling at the date of the transactions. Amounts receivable and payable in foreign currencies are translated at the rates of exchange ruling at balance date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the Profit or Loss in the financial year in which the exchange rates change, as exchange gains or losses.

(f) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(g) Other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within thirty days of recognition.

(h) Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of applicable goods and services tax (GST), except:
(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the acquisition cost of an asset or as part of an item of expense; or
(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authorities is classified as operating cash flows.

(i) New and amended standards and interpretations

The branch applied NZ IFRS 17 Insurance Contracts (NZ IFRS 17) with a date of initial application of 1 January 2023. The nature and effect of the changes as a result of adoption of these new accounting standards is described below.

Several other amendments and interpretations apply for the first time in 2023, but do not have a material impact on the financial statements of the branch. The branch has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

NZ IFRS 17 Insurance Contracts

NZ IFRS 17 Insurance Contracts (NZ IFRS 17) replaces NZ IFRS 4 Insurance Contracts, NZ IFRS 4 Insurance Contracts. The branch has restated comparative information for 2022.

NZ IFRS 17 establishes specific principles for the recognition and measurement of reinsurance contracts issued and retroceded contracts held by the branch. The key principles of NZ IFRS 17 are outlined in Note 1 (a).

On transition date, 1 January 2022, the branch has applied the full retrospective approach unless impracticable, derecognised any existing balances that would not exist had NZ IFRS 17 always applied and recognised any resulting net difference in equity as outlined in the Statement of Changes in Equity.

The branch has applied the fair value approach on transition to all reinsurance contracts. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort.

Amendments to NZ IAS 1 and IFRS Practice Statement 2

The amendments include:

- NZ IAS 1 *Presentation of Financial Statements,* to require entities to disclose their material accounting policy information rather than their significant accounting policies.
- *IFRS Practice Statement 2 Making Materiality Judgements*, to provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

Except for the amendments to IFRS Practice Statement 2, the amendments are effective for annual periods beginning on or after 1 January 2023. It is expected that these amendments will not have any material impact on the financial statements.

Amendments to NZ IAS 8 - Definition of Accounting Estimates

The amendment to NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Amendments to NZ IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amends NZ IAS 12 *Income Taxes* to specify how companies should account for deferred tax on transactions such as leases. The amendment applies to annual reporting periods beginning on or after 1 January 2023.

In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendment clarifies that the initial recognition exception does not apply to transactions where both the asset and liability are recognised in a single transaction. Accordingly, deferred tax is required to be recognised on such transactions.

On application of the amendments, deferred tax amounts will be recognised in respect if each separate part of the overall transaction, e.g. in respect of each of the right-of-use asset and lease liability. The assessment of the impact of this change in accounting policy has not been finalised, be it is expected the total impact on net assets will not be material.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(j) Accounting standards and amendments issued but not yet effective

At the date of authorisation of the financial report, the following Standards and Amendments, including those Standards or Amendments issued by the IASB/IFRIC where an equivalent New Zealand Standard or Interpretation has not been approved, were on issue but not yet effective and have not been applied in preparing the branch's financial statements. Assessment of the impact of the initial application of these Standards is still to be completed and may have an impact on disclosures.

Standard	*Effective for annual reporting periods beginning on or after*	*Expected to be initially applied in the financial year ending*
Amendments to NZ IAS 1 "Classification of Liabilities as Current or Non-current"	1 January 2024	31 December 2024
Amendments to NZ IAS 7 and NZ IFRS 7 "Supplier Finance Arrangements"	1 January 2024	31 December 2024

Amendments to NZ IAS 1 "Classification of Liabilities as Current or Non-current"
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

These changes will not have a material impact on the branch's financial position or financial statement disclosures.

Amendments to NZ IAS 7 and NZ IFRS 7 "Supplier Finance Arrangements"
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

These changes will not have a material impact on the branch's financial position or financial statement disclosures.

Other than those detailed, other standards issued but not effective relate either to types of transactions which the branch has not entered or public sector entities. These standards will not have a material impact on the branch's financial statements or financial disclosures.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The branch makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

(a) Life insurance contract liabilities

Life insurance contract liabilities are computed by suitably qualified personnel on the basis of actuarial methods, with due regard to relevant actuarial principles as required by the Australian Prudential Regulatory Authority ("APRA") and the New Zealand Society of Actuaries. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written.

The key factors that affect the estimation of these liabilities and related assets are:

- the level of expenses of the branch
- mortality and morbidity experience on life insurance products
- discontinuance experience, which affects the company's ability to recover the cost of acquiring new business over the lives of the
- future interest rates
- delays in notification of claim events

(b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods where applicable. All reinsurance contracts are with the parent company and the recoverability of such assets is not considered to be impaired by any counterparty or credit risk.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

3 ACTUARIAL ASSUMPTIONS AND METHODS

Kathryn Pollastrini, the company's Appointed Actuary, is a Fellow of the Institute of Actuaries of Australia. Ms Pollastrini is satisfied as to the accuracy of the data upon which reinsurance contracts have been determined.

The amount of policy liabilities has been determined in accordance with the methods and assumptions disclosed in this financial report and are in compliance with the Insurance (Prudential Supervision) Act 2010.

(a) Policy liabilities

The policy liabilities have been determined in accordance with applicable accounting and actuarial standards. Policy liabilities for life insurance contracts are valued in accordance with NZ IFRS17 Insurance Contracts and APRA Prudential Standard LPS 340 Valuation of Policy Liabilities.

The branch values the policy liabilities for each group of insurance contracts using the General Measurement Model ("GMM") as required under NZ IFRS17 and in line with the Gen Re Group approach. To model using GMM, the branch uses a SAS software package that requires projected future cashflows to be provided as input, along with other key assumptions, to produce the policy liabilities.

Policy liabilities under NZ IFRS17 consist of two components, namely:

(i) **The Liability for Remaining Coverage ("LRC")** which includes the Best Estimate Liabilities, Risk Adjustment and Contractual Services Margin (these items replace the Best Estimate Liabilities and Present Value of Profit Margins that were calculated under NZ IFRS4).

- **Best Estimate Liabilities ("BEL")**: Calculated by taking the discounted value of expected future cashflows, both inward and outward to GRLA. These cashflows are those directly related to the fulfilment of GRLA's insurance contracts and include the outstanding premium reserves.
- **Risk Adjustment ("RA")**: AASB 17 requires that the present value of future cash flows be adjusted to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The Risk Adjustment is calculated as a multiplicative loading that applies to the present value of future claims within the LRC is modelled as a separate cash flow. The sum of the discounted expected future cash flows and the risk adjustment is taken as the fulfilment cashflows.
- **Contractual Services Margin ("CSM")**: At initial recognition of a contract, the Contractual Services Margin is defined as the net difference between the fulfilment cash inflows and outflows and is floored by zero. The purpose of establishing a positive CSM is to ensure the recognition of unearned profits is deferred into future periods when the insurance services are provided. AASB 17 uses the metric of coverage units to allocate profits, as represented by the CSM, to the current, past, or future periods. It is a measure for the service provided under the group of insurance contracts reflecting the quantity of benefits and expected coverage duration of that group. If a contract's CSM is floored at zero, the insurance contract is onerous and the net outflow is recognised immediately. The CSM is locked-in for each contract at the rate that prevailed when the contract was written.

(ii) **The Liability for Incurred Claims ("LIC")** includes Best Estimate Liabilities and Risk Adjustment. LIC is equivalent to the Incurred But Not Reported ("IBNR") reserve, Disabled Life Reserve ("DLR") and the Reported But Not Admitted ("RBNA") reserve that were reported under NZ IFRS4.

- **Best Estimate Liabilities ("BEL")**: Calculated by taking the discounted value of expected future cashflows, including claim payments, accruals and experience refund accruals for past incurred periods.
- **Risk Adjustment ("RA")**: The Risk Adjustment is calculated as a multiplicative loading that applies to the present value of future claims within the LIC.

NZ IFRS 17 requires insurance contracts to be aggregated following certain principles. There are three levels of aggregation:

(i) Portfolio level, consisting of insurance contracts covering similar risks which are managed together. This is defined as treaty level for the branch.
(ii) Cohort level, where the portfolio is divided into annual cohorts.
(iii) Group level, which subdivides the cohorts into different profitability groups at initial recognition. The Gen Re group determines if a cohort is onerous by doing an Onerous Contract Test.

The general principle which the branch adopts is to consider the treaty and underwriting year as a group of insurance contracts which is the primary unit of account under NZ IFRS17. It is noted that this includes retrocession treaties. There is aggregation across both lump sum and disability income business.

(b) Regulatory capital requirements

These are amounts required to meet the life insurance prudential standards specified by the Insurance (Prudential Supervision) Act 2010 to provide protection to the policy owners against the impact of fluctuations and unexpected adverse experience of the business.

The methods and bases adopted for determining the solvency requirements are in accordance with licensing conditions imposed by the Reserve Bank of New Zealand.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

3 ACTUARIAL ASSUMPTIONS AND METHODS (continued)

(c) Disclosure of assumptions

(i) Discount rates

The BEL cashflows are discounted in SAS using a centrally provided yield curve that is risk-free in nature and inclusive of an implied illiquidity premium. Where it cannot be demonstrated that there is an implicit illiquidity premium, locally constructed yield curves are then adopted. The illiquidity premium is determined using APRA's approach within LPS112. This approach was required for New Zealand for 2023.

Where a single discount rate is used in the calculation of the risk free BEL for capital calculations, the following has been assumed:

Allowance for future interest rates of 4.3% pa (2022: 4.4%) is assumed.

Policy liabilities are determined on the basis of using risk-free discount rates based on government bond rates and consideration of the term of the liabilities.

(ii) Inflation rates

Active life: Allowance for future inflation of 3.0% pa (2022: 2.0%) is assumed.

Open claims: Allowance for future inflation p.a. is assumed to follow a curve, starting at 5.0% (2022: 7.5%) for New Zealand, and tending to the long term assumption of 3.0% (2022: followed a higher curve in the short term but tended to the same long term assumption).

Some contract terms set a minimum level of policy indexation and this is used to index policy benefits where it exceeds the assumed inflation rate.

(iii) Future expenses and indexation

The allowance for future expenses was based on the branch's experience in 2023, with allowance for one-offs and anticipated changes in business volumes in 2024, as the best available estimate for 2024. Expenses are assumed to remain a stable percentage of in-force premiums over the life of the business. Benefits and premiums are assumed to increase by the rate of inflation, or by some other factor, where specified for the policies being reinsured. A 0.5% expense margin is applied to the disability income claims payments.

(iv) Directly attributable expenses

Only costs that are directly attributable are deemed insurance cash flows which become a component of the CSM and therefore affect both insurance revenue and insurance service expenses. Directly attributable expenses are allocated to each group of insurance contracts. All other expenses are deemed overhead and would be recognised in the profit and loss outside of the insurance result.

The branch applies a percentage adjustment to projected maintenance expenses as the key input assumption. This rate is 75% for the 2023 year end (and is unchanged from the prior year-end restatement).

(v) Rates of taxation

Policy liabilities have been calculated gross of tax given that the business is taxed on a profits basis.

(vi) Mortality and morbidity

Mortality: Tables derived from the NZ10 Insured Lives Tables with allowance for subsequent improvements in mortality, subdividec into smoker and non-smoker classes and adjusted to the classes of life insurance written.

Disability: Tables derived from the ADI14-18 tables with adjustments to incidence rates and termination rates of claim.

Trauma: Trauma claims were derived from various studies of the incidence of the individual trauma conditions.

Adjustments made to the base table are made after consideration of the:

(i) type of product being written (policy terms, underwriting/claims approach, target market), and
(ii) actual experience investigations undertaken by the branch.

(vii) Rate of discontinuance

Future rates of discontinuance for the major classes of business vary by policy duration and age. Overall they are assumed to be in the

Lump-sum Risk:	5% - 50% per annum (2022: 5% - 50% per annum)
Disability Income:	5% - 45% per annum (2022: 5% - 45% per annum)

Rates are based on actual branch experience and market data as obtained from client companies.

(viii) Surrender values

There are currently no policies that provide a surrender value.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

3 ACTUARIAL ASSUMPTIONS AND METHODS (continued)

(c) Disclosure of assumptions (continued)

(viii) Claim Delay

Significant delays are incurred between the date of the event resulting in a claim and the claim being reported to the branch. The branch establishes IBNR reserves to estimate the cost of these claims based on the expected level of claims and the average delay in reporting. Overall they are assumed to be in the order of:

Lump Sum Risk:	4 – 25 months	(2022: 4 – 25 months)
Disability Income:	6 months	(2022: 6 months)

The above is based on actual experience of the branch, and other data obtained from client companies.

(d) Sensitivity analysis

The policy liability is derived based on the best estimate of various variables – interest rates, inflation rates, expenses, mortality and morbidity and discontinuance rates. The movement in any assumption can have an impact on the policy liability, profit and shareholder equity positions.

Variable	Impact of movement in underlying variable
Interest rates	A reduction in interest rates would result in an increase in policy liabilities and an increase in the value of assets backing those policy liabilities. As the assets currently have a shorter average duration than the liabilities a reduction in interest rates would decrease profit and shareholder equity. Additional losses from a reduction in interest rates would be reduced by the Stop loss retrocession recovery.
Inflation rates	An increase in inflation rates would result in an increase in policy liabilities and therefore a reduction in profit and shareholder equity. The liability cashflows allow for the underlying inflation caps, where applicable, across different treaties.
Expense rates	Expenses as a proportion of inforce premium are relatively small and therefore any reasonable deviation on the level of expenses have little impact on profit and shareholder equity.
Mortality rates	Higher mortality rates would lead to increased claim costs/policy liabilities, reduced profit and shareholder equity. Lower mortality rates decrease profit and shareholder equity which is offset by an increase in future profit shown in the CSM.
Morbidity rates	Higher incidence and duration of claim would lead to increased claim costs/policy liabilities, reduced profit and shareholders equity. Lower morbidity rates decrease profit and shareholder equity which is offset by an increase in future profit shown in the CSM. Lower morbidity termination rates would lead to increased claim costs/policy liabilities, reduced profit and shareholders equity. Higher morbidity incidence rates would decrease profit and shareholder equity.
Discontinuance	Higher discontinuance rates may impact on the recoverability of deferred acquisition costs within the LRC and therefore would impact on profit and shareholder equity if deferred acquisition costs were required to be written down to what would be recoverable. Lower discontinuance rates decrease profit and shareholder equity which is offset by an increase in future profit shown in the CSM.

Under NZ IFRS 17, the impacts from the assumption changes below, also include the impact of the change in discount rate on future cashflows which are updated to reflect the sensitivities.

To the extent that future profit can absorb the effect of higher claims costs then the impact on the policy liability from assumption changes will be reduced and the CSM balance will also decrease. Retrocession arrangements can also reduce the expected impacts that changes in assumptions may have.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

3 ACTUARIAL ASSUMPTIONS AND METHODS (continued)

(d) Sensitivity analysis (continued)

The table below illustrates how changes in key assumptions would have impacted the reported profit, retained earnings and CSM balances of the company as at year end (after tax and retrocession).

2023	Profit $'000	Retained Profits $'000	CSM $'000
Current Value	7,410	53,079	54,831
Real Interest Rate +1%	13,234	58,903	54,831
Real Interest Rate -1%	833	46,502	54,831
Inflation Rate +1%	2,325	47,994	58,440
Inflation Rate -1%	12,116	57,785	51,485
Expenses +10%	7,495	53,164	51,677
Expenses –10%	7,325	52,994	57,985
Mortality/Incidence +10%	-573	45,096	8,109
Mortality/Incidence –10%	5,184	50,853	119,103
Termination rates -10%	-581	45,088	46,834
Termination rates +10%	16,090	61,759	61,443
Discontinuances +10%	8,325	53,994	44,345
Discontinuances -10%	5,580	51,249	70,163
Claim Reporting Delay +10%	4,333	50,002	54,831
Claim Reporting Delay -10%	10,487	56,156	54,831

2022	Profit $'000	Retained Profits $'000	CSM $'000
Current Value	-1,655	46,201	58,899
Real Interest Rate +1%	4,743	52,599	58,899
Real Interest Rate -1%	-4,730	43,126	58,899
Inflation Rate +1%	-3,816	44,040	66,651
Inflation Rate -1%	2,663	50,519	51,993
Expenses +10%	-1,502	46,354	55,585
Expenses –10%	-1,808	46,048	62,214
Mortality/Incidence +10%	-3,884	43,972	7,242
Mortality/Incidence –10%	-3,779	44,077	126,074
Termination rates -10%	-3,951	43,905	50,958
Termination rates +10%	6,465	54,321	66,383
Discontinuances +10%	163	48,019	45,501
Discontinuances -10%	-3,770	44,086	79,520
Claim Reporting Delay +10%	-3,778	44,078	58,899
Claim Reporting Delay -10%	1,549	49,405	58,899

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

4 RISK MANAGEMENT POLICIES AND PROCEDURES

Insurance contracts – Risk management policies and procedures

The financial condition and operation of the branch are affected by a number of key risks including insurance risk, market risk, credit risk, liquidity risk, compliance risk and operational risk. Notes on the company's policies and procedures in respect of managing these risks are set out in this note.

Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The branch has an objective to control insurance risk thus minimizing substantial unexpected losses that would expose the company to a loss of capital.

The Board and senior management of the company have developed, implemented and maintain a sound and prudent Internal Capital Adequacy Assessment Process (ICAAP), Risk Management Strategy (RMS) and a Risk Appetite Statement (RAS).

The ICAAP is reviewed on an annual basis, unless circumstances necessitate a more frequent review.

The ICAAP and RMS identify the company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the company. Annually, the Board:

- Reviews and approves the company's RAS;
- Reviews and approves the company's RMS and ICAAP, assesses their effectiveness; and
- Certifies that adequate strategies are in place to monitor those risks, and that the company has systems in place to ensure compliance with legislative and prudential requirements.

Key aspects of the processes established in the RMS to mitigate risks include:

- The maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Actuarial models, using information from the management information systems, are used to calculate premiums and monitor claims patterns. Past experience and statistical methods are used as part of the process.
- Documented procedures are followed for underwriting and accepting reinsurance risks.
- Reinsurance is used to limit the company's exposure to negative claims experience.
- The branch's investment portfolio is prudently managed with respect to key criteria such as the average duration and credit quality.
- The mix of assets in which the branch invests is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claim payments.
- The diversification of business over classes within the reinsurance portfolio, separate geographical segments and large numbers of uncorrelated individual risks also reduce variability in loss experience.

Financial risks

Financial risks are controlled by the majority of investments being in government bonds in the same currency as the underlying policy liabilities, the balance of investments being held in cash assets. This significantly reduces any currency, credit and liquidity risk that the branch may incur. The remaining interest rate risk that remains due to mismatches in duration between investments and policy liabilities is managed in terms of the capital management plan of the company.

(a) Liquidity risk

Underwriting reinsurance contracts exposes the branch to liquidity risk through the obligation to make payments of unknown amounts on unknown dates. The assets backing insurance liabilities consist of government securities and other quality securities which can generally be readily sold or exchanged for cash.

The branch also has the option to request additional capital injections from the Parent, General Reinsurance AG (GRAG), following board approval.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

4 RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

Objectives in managing risks arising from insurance contracts and policies for mitigating those risks (continued)

(b) Interest rate risk

Fixed interest rate instruments expose the branch to fair value interest rate risk. The branch's risk management approach is to minimise interest rate risk by actively managing investment portfolios. The branch invests in high quality, liquid interest-bearing bonds and cash and actively manages the duration of the fixed interest portfolio. The claims provision is discounted to present value by reference to risk-free interest rates therefore exposed to potential underwriting result volatility as a result of interest rate movements.

(c) Credit risk

Financial assets or liabilities arising from reinsurance and retrocession contracts are stated in the Statement of Financial Position at the amount that best represents the maximum credit risk exposure at balance date. There are no significant concentrations of credit risk, except for related party transactions.

(d) Terms and conditions of reinsurance business

The terms and conditions attaching to reinsurance contracts affect the level of insurance risk accepted by the company. All reinsurance contracts are subject to pre-determined capacity limits and underwriting guidelines and authorities. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

(e) Concentration of insurance risk

The branch's exposure to concentrations of insurance risk is mitigated by a portfolio diversified into two major classes of business (individual and group) written out of New Zealand. The portfolio is controlled and monitored through the company's Risk Management Strategy and Framework. This includes identifying and mitigating the concentrations of insurance risk by reviewing the type of insured event and also the geographical area of the risk.

Non-financial risks

Non-financial risks are controlled through the use of:

- i) medical and non-medical underwriting procedures and authorities
- ii) claims management procedures and authorities
- iii) product development/review procedures and authorities
- iv) treaty underwriting procedures and authorities
- v) underwriting and claim peer reviews of clients
- vi) charging adequate premium rates for the business
- vii) quarterly monitoring of profitability overall and by client
- viii) reinsurance agreement terms and conditions
- ix) non-guaranteed reinsurance rates
- x) retrocession arrangements to limit the effect of adverse claims experience, via stop-loss and surplus retrocession

5 PROFIT FROM ORDINARY ACTIVITIES

	2023 $'000	Restated 2022 $'000
(a) Included in other income and expenses are:		
- Expenses of management - policy maintenance	(3,579)	(3,577)
- Net foreign exchange (losses)/gains	(29)	124
	(3,608)	**(3,453)**

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

5 PROFIT FROM ORDINARY ACTIVITIES (continued)

(b) Net investment income/(expense)

	2023 $'000	Restated 2022 $'000
Interest income	9,976	2,959
Investment expenses	(140)	(120)
Net investment gain/(loss)		
- Changes in fair values	1,838	296
- Realised loss	(657)	(3,713)
Investment gain/(loss)	1,181	(3,417)
	11,017	**(578)**

(c) Remuneration of auditors and directors

Audit fees and Directors' emoluments are borne as part of head office overheads and are not separately charged to the New Zealand Branch, but rather included in the overall recharge.

The auditor of the branch is Deloitte Touche Tohmatsu, Australia.

6 INCOME TAX

(a) Income tax expense

	2023 $'000	Restated 2022 $'000
Tax expense comprises:		
Current tax expense relating to current year	(384)	(1,483)
Current tax expense relating to prior years	64	-
Deferred tax expense relating to temporary differences	(3,528)	1,328
Income tax expense relating to gain from ordinary activities	**(3,848)**	**(155)**

The prima facie income tax expense on the pre-tax accounting profit reconciles to the income tax expense shown in the financial statements, as follows:

	2023 $'000	Restated 2022 $'000
Profit/(loss) before income tax	11,258	(1,500)
Income tax expense calculated at 28% (2022: 28%) of operating profit	(3,152)	420
Permanent Differences	(760)	(575)
Prior year under provision	64	-
Total income tax expense	**(3,848)**	**(155)**

(b) Deferred tax

	2023 $'000	Restated 2022 $'000
At 31 December the deferred tax liability/(asset) comprises:		
Temporary differences	**3,057**	**(472)**

The tax balances and reconciliation above are based on the current corporate tax rates of 28% in New Zealand on taxable profits under New Zealand Income Tax Law.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

6 INCOME TAX (continued)

(b) Deferred tax (continued)

	Opening balance $'000	* Movement during year $'000	Restated Closing balance $'000
2023 Temporary differences			
Tax losses carried forward	-	-	-
Insurance provisions	(472)	3,529	3,057
	(472)	**3,529**	**3,057**
2022 Temporary differences			
Tax losses carried forward	-	-	-
Insurance provisions	857	(1,329)	(472)
	857	**(1,329)**	**(472)**

* Movement during the year excludes transfer of income tax losses between income tax consolidated entities that were not charged to the profit and loss.

7 OTHER ASSETS

	2023 $'000	2022 $'000
Due from related parties:		
- General Reinsurance Australia Limited	**458**	**1,859**

8 OTHER PAYABLES

	2023 $'000	2022 $'000
Accruals	66,509	35,044
Other payables*	16,503	5,094
	83,012	**40,138**

All balances are expected to be realised within 12 months.

** For amounts owing to related parties see note 12 below.*

9 REINSURANCE CONTRACTS

	2023 $'000	Restated 2022 $'000
Carrying value of:		
Gross		
Reinsurance contract liabilities	108,580	148,320
Reinsurance contract assets	(10,839)	(23,310)
Total gross reinsurance contracts	**97,741**	**125,010**
Retroceded		
Reinsurance contract assets	(287)	(75)
Reinsurance contract liabilities	-	-
Total retroceded reinsurance contracts	**(287)**	**(75)**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

9 REINSURANCE CONTRACTS (continued)

Reconciliation of reinsurance contracts by remaining coverage and incurred claims

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
Gross	Excluding loss component	Loss component		
2023	$'000	$'000	$'000	$'000
Reinsurance contract liabilities	(21,149)	-	169,469	148,320
Reinsurance contract assets	(36,432)	-	13,122	(23,310)
Balance as at 1 January	**(57,581)**	**-**	**182,591**	**125,010**
Insurance revenue	(94,941)	-	-	(94,941)
Insurance service expense				
Incurred claims and other expenses	4,687	-	83,934	88,621
Losses and reversals of losses on onerous contracts	-	2	-	2
Changes to liabilities for incurred claims	-	-	(4,001)	(4,001)
Insurance service expense	4,687	2	79,933	84,622
Insurance service result	**(90,254)**	**2**	**79,933**	**(10,319)**
Net finance expenses from gross reinsurance contracts issued				
Insurance finance income or expenses from insurance contracts recognised in profit or loss	(1,519)	-	4,894	3,375
Effect of movements in exchange rates	-	-	8	8
Net finance expenses from gross reinsurance contracts issued	**(1,519)**	**-**	**4,902**	**3,383**
Total changes in the statement of profit or loss	**(91,773)**	**2**	**84,835**	**(6,936)**
Cash flows				
Premiums received	64,094	-	-	64,094
Claims and other expenses paid	(4,687)	-	(79,740)	(84,427)
Insurance acquisition cash flows	-	-	-	-
Total cash flows	**59,407**	**-**	**(79,740)**	**(20,333)**
Other movements	-	-	-	-
Balance as at 31 December	**(89,947)**	**2**	**187,686**	**97,741**
Reinsurance contract liabilities	(50,618)	-	159,198	108,580
Reinsurance contract assets	(39,329)	2	28,488	(10,839)
Balance as at 31 December	**(89,947)**	**2**	**187,686**	**97,741**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

9 REINSURANCE CONTRACTS (continued)

Reconciliation of reinsurance contracts by remaining coverage and incurred claims (continued)

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
Gross (continued)	Excluding loss component	Loss component		
2022	$'000	$'000	$'000	$'000
Reinsurance contract liabilities	(47,935)	4	151,489	103,558
Reinsurance contract assets	-	-	-	-
Balance as at 1 January	**(47,935)**	**4**	**151,489**	**103,558**
Insurance revenue	(84,850)	-	-	(84,850)
Insurance service expense				
Incurred claims and other expenses	2,547	(4)	90,258	92,801
Losses and reversals of losses on onerous contracts	-	-	-	-
Changes to liabilities for incurred claims	-	-	843	843
Insurance service expense	2,547	(4)	91,101	93,644
Insurance service result	**(82,303)**	**(4)**	**91,101**	**8,794**
Net finance expenses from gross reinsurance contracts issued				
Insurance finance income or expenses from insurance contracts recognised in profit or loss	3,670	-	(17,823)	(14,153)
Effect of movements in exchange rates	-	-	9	9
Net finance expenses from gross reinsurance contracts issued	**3,670**	**-**	**(17,814)**	**(14,144)**
Total changes in the statement of profit or loss	**(78,633)**	**(4)**	**73,287**	**(5,350)**
Cash flows				
Premiums received	71,534	-	-	71,534
Claims and other expenses paid	(2,547)	-	(42,185)	(44,732)
Insurance acquisition cash flows	-	-	-	-
Total cash flows	**68,987**	**-**	**(42,185)**	**26,802**
Other movements	-	-	-	-
Balance as at 31 December	**(57,581)**	**-**	**182,591**	**125,010**
Reinsurance contract liabilities	(21,149)	-	169,469	148,320
Reinsurance contract assets	(36,432)	-	13,122	(23,310)
Balance as at 31 December	**(57,581)**	**-**	**182,591**	**125,010**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

9 REINSURANCE CONTRACTS (continued)

Reconciliation of reinsurance contracts by remaining coverage and incurred claims (continued)

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
Retroceded	Excluding loss component	Loss component		
2023	$'000	$'000	$'000	$'000
Reinsurance contract assets	30	-	45	75
Reinsurance contract liabilities	-	-	-	-
Balance as at 1 January	**30**	**-**	**45**	**75**
Allocation of reinsurance premiums: amounts relating to the changes in the assets for remaining coverage	(3,101)	-	-	(3,101)
Amounts recoverable from reinsurers				
Amounts recoverable for claims and other expenses incurred in the period	-	-	5	5
Changes in fulfilment cash flows which relate to onerous underlying contracts	-	-	-	-
Changes in amounts recoverable arising from changes in liability for incurred claims	-	-	-	-
Amounts recoverable from reinsurers	**-**	**-**	**5**	**5**
Net income or expense from retroceded reinsurance contracts	**(3,101)**	**-**	**5**	**(3,096)**
Net finance income from retroceded reinsurance contracts held				
Reinsurance finance income	9	-	-	9
Effect of movements in exchange rates	-	-	-	-
Net finance income from retroceded reinsurance contracts held	**9**	**-**	**-**	**9**
Total changes in the statement of profit or loss	**(3,092)**	**-**	**5**	**(3,087)**
Cash flows				
Premiums paid	3,299	-	-	3,299
Amounts received	-	-	-	-
Total cash flows	**3,299**	**-**	**-**	**3,299**
Other movements	-	-	-	-
Balance as at 31 December	**237**	**-**	**50**	**287**
Reinsurance contract assets	237	-	50	287
Reinsurance contract liabilities	-	-	-	-
Balance as at 31 December	**237**	**-**	**50**	**287**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

9 REINSURANCE CONTRACTS (continued)

Reconciliation of reinsurance contracts by remaining coverage and incurred claims (continued)

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
Retroceded (continued)	Excluding loss component	Loss component		
2022	$'000	$'000	$'000	$'000
Reinsurance contract assets	-	-	41	41
Reinsurance contract liabilities	-	-	-	-
Balance as at 1 January	**-**	**-**	**41**	**41**
Allocation of reinsurance premiums: amounts relating to the changes in the assets for remaining coverage	(2,812)	-	-	(2,812)
Amounts recoverable from reinsurers				
Amounts recoverable for claims and other expenses incurred in the period	-	-	4	4
Changes in amounts recoverable arising from changes in liability for incurred claims	-	-	-	-
Changes in fulfilment cash flows which relate to onerous underlying contracts	-	-	-	-
Amounts recoverable from reinsurers	**-**	**-**	**4**	**4**
Net income or expense from retroceded reinsurance contracts	**(2,812)**	**-**	**4**	**(2,808)**
Net finance income from retroceded reinsurance contracts held				
Reinsurance finance income	(11)	-	-	(11)
Effect of movements in exchange rates	-	-	-	-
Net finance income from retroceded reinsurance contracts held	**(11)**	**-**	**-**	**(11)**
Total changes in the statement of profit or loss	**(2,823)**	**-**	**4**	**(2,819)**
	-	-	-	-
Cash flows				
Premiums paid	2,853	-	-	2,853
Amounts received	-	-	-	-
Total cash flows	**2,853**	**-**	**-**	**2,853**
Other movements	-	-	-	-
Balance as at 31 December	**30**	**-**	**45**	**75**
Reinsurance contract assets	30	-	45	75
Reinsurance contract liabilities	-	-	-	-
Balance as at 31 December	**30**	**-**	**45**	**75**

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

9 REINSURANCE CONTRACTS (continued)

Reconciliation of reinsurance contracts by measurement component

Gross	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
2023	**$'000**	**$'000**	**$'000**	**$'000**
Reinsurance contract liabilities	61,996	32,268	54,056	148,320
Reinsurance contract assets	(30,576)	2,423	4,843	(23,310)
Balance as at 1 January	**31,420**	**34,691**	**58,899**	**125,010**
Changes that relate to current services				
CSM recognised for services provided	-	-	(8,473)	(8,473)
Risk adjustment recognised for the risk expired	-	579	-	579
Experience adjustments	6,126	-	-	6,126
Changes that relate to current services	6,126	579	(8,473)	(1,768)
Changes that relate to future services				
Contracts initially recognised in the period	(496)	235	261	-
Changes in estimates that adjust the CSM	(3,655)	988	2,667	-
Changes in estimates that do not adjust the CSM	(287)	-	-	(287)
Changes that relate to future services	(4,438)	1,223	2,928	(287)
Changes that relate to past services				
Adjustments to liabilities for incurred claims	(4,179)	(4,085)	-	(8,264)
Changes that relate to past services	(4,179)	(4,085)	-	(8,264)
Insurance service result	**(2,491)**	**(2,283)**	**(5,545)**	**(10,319)**
Insurance finance income or expenses from insurance contracts recognised in profit or loss	198	1,682	1,495	3,375
Effect of movements in exchange rates	8	-	-	8
Total changes in the statement of profit or loss	**(2,285)**	**(601)**	**(4,050)**	**(6,936)**
Cash flows				
Premiums received	64,094	-	-	64,094
Claims and other expenses paid	(84,427)	-	-	(84,427)
Total cash flows	(20,333)	-	-	(20,333)
Other movements	-	-	-	-
Balance as at 31 December	**8,802**	**34,090**	**54,849**	**97,741**
Reinsurance contract liabilities	28,570	29,753	50,257	108,580
Reinsurance contract assets	(19,768)	4,337	4,592	(10,839)
Balance as at 31 December	**8,802**	**34,090**	**54,849**	**97,741**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

9 REINSURANCE CONTRACTS (continued)

Reconciliation of reinsurance contracts by measurement component (continued)

Gross (continued)	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
2022	**$'000**	**$'000**	**$'000**	**$'000**
Reinsurance contract liabilities	47,967	26,386	29,205	103,558
Reinsurance contract assets	-	-	-	-
Balance as at 1 January	**47,967**	**26,386**	**29,205**	**103,558**
Changes that relate to current services				
CSM recognised for services provided	-	-	(7,750)	(7,750)
Risk adjustment recognised for the risk expired	-	2,326	-	2,326
Experience adjustments	15,972	-	-	15,972
Changes that relate to current services	15,972	2,326	(7,750)	10,548
Changes that relate to future services				
Contracts initially recognised in the period	(4,966)	1,223	3,743	-
Changes in estimates that adjust the CSM	(40,665)	7,521	33,144	-
Changes in estimates that do not adjust the CSM	(809)	24	6	(779)
Changes that relate to future services	(46,440)	8,768	36,893	(779)
Changes that relate to past services				
Adjustments to liabilities for incurred claims	(3,907)	2,932	-	(975)
Changes that relate to past services	(3,907)	2,932	-	(975)
Insurance service result	**(34,375)**	**14,026**	**29,143**	**8,794**
Insurance finance income or expenses from insurance contracts recognised in profit or loss	(8,983)	(5,721)	551	(14,153)
Effect of movements in exchange rates	9	-	-	9
Total changes in the statement of profit or loss	**(43,349)**	**8,305**	**29,694**	**(5,350)**
Cash flows				
Premiums received	71,534	-	-	71,534
Claims and other expenses paid	(44,732)	-	-	(44,732)
Insurance acquisition cash flows	-	-	-	-
Total cash flows	26,802	-	-	26,802
Other movements	-	-	-	-
Balance as at 31 December	**31,420**	**34,691**	**58,899**	**125,010**
Reinsurance contract liabilities	61,996	32,268	54,056	148,320
Reinsurance contract assets	(30,576)	2,423	4,843	(23,310)
Balance as at 31 December	**31,420**	**34,691**	**58,899**	**125,010**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

9 REINSURANCE CONTRACTS (continued)

Reconciliation of reinsurance contracts by measurement component (continued)

Retroceded	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
2023	**$'000**	**$'000**	**$'000**	**$'000**
Reinsurance contract assets	56	19	-	75
Reinsurance contract liabilities	-	-	-	-
Balance as at 1 January	**56**	**19**	**-**	**75**
Changes that relate to current services				
CSM recognised for services provided	-	-	(2,896)	(2,896)
Risk adjustment recognised for the risk expired	-	5	-	5
Experience adjustments	(163)	-	-	(163)
Changes that relate to current services	(163)	5	(2,896)	(3,054)
Changes that relate to future services				
Contracts initially recognised in the period	(3,049)	-	3,049	-
Changes in estimates that adjust the CSM	128	83	(211)	-
Changes in estimates that do not adjust the CSM	3	-	-	3
Changes that relate to future services	(2,918)	83	2,838	3
Changes that relate to past services				
Changes in amounts recoverable arising from changes in liability for incurred claims	(38)	(6)	-	(44)
Changes that relate to past services	(38)	(6)	-	(44)
Reinsurance finance income	(60)	(8)	77	9
Effect of changes in non-performance risk of reinsurers	-	-	-	-
Effect of movements in exchange rates	-	-	-	-
Total changes in the statement of profit or loss	**(3,179)**	**74**	**19**	**(3,086)**
Cash flows				
Premiums paid	3,298	-	-	3,298
Amounts received	-	-	-	-
Total cash flows	3,298	-	-	3,298
Other movements	-	-	-	-
Balance as at 31 December	**175**	**93**	**19**	**287**
Reinsurance contract assets	175	93	19	287
Reinsurance contract liabilities	-	-	-	-
Balance as at 31 December	**175**	**93**	**19**	**287**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

9 REINSURANCE CONTRACTS (continued)

Reconciliation of reinsurance contracts by measurement component (continued)

Retroceded (continued)	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Total
2022	**$'000**	**$'000**	**$'000**	**$'000**
Reinsurance contract assets	41	-	-	41
Reinsurance contract liabilities	-	-	-	-
Balance as at 1 January	**41**	**-**	**-**	**41**
Changes that relate to current services				
CSM recognised for services provided	-	-	(475)	(475)
Risk adjustment recognised for the risk expired	-	(42)	-	(42)
Experience adjustments	(2,247)	-	-	(2,247)
Changes that relate to current services	(2,247)	(42)	(475)	(2,764)
Changes that relate to future services				
Contracts initially recognised in the period	(566)	48	518	-
Changes in estimates that adjust the CSM	27	17	(44)	-
Changes in estimates that do not adjust the CSM	(2)	-	-	(2)
Changes that relate to future services	(541)	65	474	(2)
Changes that relate to past services				
Changes in amounts recoverable arising from changes in liability for incurred claims	(42)	-	-	(42)
Changes that relate to past services	(42)	-	-	(42)
Reinsurance finance income	(8)	(5)	2	(11)
Effect of changes in non-performance risk of reinsurers	-	-	-	-
Effect of movements in exchange rates	-	-	-	-
Total changes in the statement of profit or loss	**(2,838)**	**18**	**-**	**(2,819)**
Cash flows				
Premiums paid	2,853	-	-	2,853
Amounts received	-	-	-	-
Total cash flows	2,853	-	-	2,853
Other movements	-	-	-	-
Balance as at 31 December	**56**	**18**	**-**	**75**
Reinsurance contract assets	56	19	-	75
Reinsurance contract liabilities	-	-	-	-
Balance as at 31 December	**56**	**19**	**-**	**75**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

9 REINSURANCE CONTRACTS (continued)

Reinsurance contracts initially recognised in the period

The following tables summarise the effect on the measurement components arising from the initial recognition of reinsurance contracts in the period:

Gross	Non-onerous	Onerous	Total
2023	**$'000**	**$'000**	**$'000**
Estimate of present value of future cash outflows	7,132	-	7,132
Estimates of present value of future cash inflows	(7,629)	-	(7,629)
Risk adjustment	235	-	235
CSM	262	-	262
Losses recognised on initial recognition	**-**	**-**	**-**
2022			
Estimate of present value of future cash outflows	33,700	-	33,700
Estimates of present value of future cash inflows	(38,666)	-	(38,666)
Risk adjustment	1,223	-	1,223
CSM	3,743	-	3,743
Losses recognised on initial recognition	**-**	**-**	**-**
Retroceded			
2023			
Estimate of present value of future cash outflows	(14)	-	(14)
Estimates of present value of future cash inflows	3,063	-	3,063
Risk adjustment	-	-	-
CSM	(3,049)	-	(3,049)
Losses recognised on initial recognition	**-**	**-**	**-**
2022			
Estimate of present value of future cash outflows	(1,698)	-	(1,698)
Estimates of present value of future cash inflows	2,263	-	2,263
Risk adjustment	(48)	-	(48)
CSM	(517)	-	(517)
Losses recognised on initial recognition	**-**	**-**	**-**

Contractual Service Margin

The following tables set out when the company expects to recognise the remaining CSM in profit or loss after the reporting date:

	2023	2022
	$'000	**$'000**
Gross		
Not later than one year	6,089	8,198
Later than one year but not later than two years	3,141	3,416
Later than two years but not later than three years	2,683	2,917
Later than three years but not later than four years	2,674	2,887
Later than four years but not later than five years	2,661	2,850
Later than five years but not later than ten years	12,060	12,672
Later than ten years	25,542	25,959
	54,850	**58,899**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

9 REINSURANCE CONTRACTS (continued)

Contractual Service Margin (continued)	2023 $'000	2022 $'000
Retroceded		
Not later than one year	(2)	(34)
Later than one year but not later than two years	(1)	4
Later than two years but not later than three years	(1)	3
Later than three years but not later than four years	(1)	3
Later than four years but not later than five years	(1)	3
Later than five years but not later than ten years	(4)	10
Later than ten years	(8)	12
	(18)	**1**

Maturity profile of the reinsurance contracts

The following tables set out the expected maturity of the present value of future cash flows within the company's reinsurance contract assets and liabilities:

Gross reinsurance contracts issued	2023 $'000	2022 $'000
Not later than one year	(33,978)	11,111
Later than one year but not later than five years	21,590	1,838
Later than five years	55,280	53,162
	42,892	**66,111**

Retroceded reinsurance contracts held	2023 $'000	2022 $'000
Not later than one year	67	252
Later than one year but not later than five years	62	650
Later than five years	139	(827)
	268	**75**

10 APRA CAPITAL ADEQUACY

These are amounts required to meet the prudential standards specified by the Insurance (Prudential Supervision) Act 2010 (the “Act”) to provide protection against the impact of fluctuations and unexpected adverse experience on the company.

On 22 May 2013 the company was issued with a full License under the Act. The licence has been modified in December 2022 and continues to include an exemption under s59 of the Act allowing the company to calculate and report its solvency position in accordance with the regulatory requirements of its home jurisdiction.

The company is required to maintain its APRA solvency margin and to notify the RBNZ if it carries on insurance business in New Zealand that is not reinsurance.

The company is required to maintain its APRA solvency margin to meet the requirements of APRA and the Reserve Bank of New Zealand. The company has complied with all externally imposed capital requirements throughout the year.

The following information refers to APRA’s capital adequacy requirements. The calculation of capital and some other balances are based on different methodologies from those used to prepare these financial statements. The column labelled "Statutory Fund 1" represents the Australian statutory fund and the New Zealand Branch is reflected in the column labelled "Statutory Fund 2".

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

10 APRA CAPITAL ADEQUACY (continued)

2023

	Statutory Fund 1 AUD'000	Statutory Fund 2 AUD'000	Shareholder Fund AUD'000	Total AUD'000
Capital base/Common Equity Tier 1 Capital				
Tier 1 Capital	201,286	49,907	234	251,427
Premium liability deficit net of tax	(56,446)	(11,532)	-	(67,978)
Excess deferred tax assets over deferred tax liabilities	(6,128)	-	(2)	(6,130)
Capital base	**138,712**	**38,375**	**232**	**177,319**
Prescribed Capital Amount (PCA)				
Asset Risk Charge	15,104	3,393	4	18,501
Insurance Risk Charge	-	-	-	-
Asset Concentration Risk Charge	-	-	-	-
Operational Risk Charge	15,230	2,957	-	18,187
Aggregation Benefit	-	-	-	-
Combined Stress Scenario Adjustment	-	-	-	-
PCA	**30,334**	**6,350**	**4**	**36,688**
Capital in excess of PCA	**108,378**	**32,025**	**228**	**140,631**
PCA coverage ratio	**4.5728**	**6.0433**	**58.0000**	**4.8332**

General Reinsurance Life Australia Ltd has a "AA+" credit rating from Standard & Poor's as at 31 December 2023 (2022: AA+).

2022

Restated	Statutory Fund 1 AUD'000	Statutory Fund 2 AUD'000	Shareholder Fund AUD'000	Total AUD'000
Capital base/Common Equity Tier 1 Capital				
Tier 1 Capital	223,189	60,793	238	284,220
Premium liability deficit net of tax	(110,756)	(36,285)	-	(147,041)
Excess deferred tax assets over deferred tax liabilities	(8,707)	-	(3)	(8,710)
Capital base	**103,726**	**24,508**	**235**	**128,469**
Prescribed Capital Amount (PCA)				
Asset Risk Charge	10,682	3,548	8	14,238
Insurance Risk Charge	-	4,891	-	4,891
Asset Concentration Risk Charge	-	-	-	-
Operational Risk Charge	14,708	2,865	-	17,573
Aggregation Benefit	-	(1,847)	-	(1,847)
Combined Stress Scenario Adjustment	-	-	-	-
PCA	**25,390**	**9,457**	**8**	**34,855**
Capital in excess of PCA	**78,336**	**15,050**	**227**	**93,613**
PCA coverage ratio	**4.0853**	**2.5914**	**29.3750**	**3.6858**

11 CONTINGENT ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding contingencies at the end of the year (2022: NIL).

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

12 RELATED PARTIES

Ultimate controlling entity

The ultimate controlling entity is Berkshire Hathaway Inc., incorporated in the United States of America.

Parent entity

The immediate parent entity is General Reinsurance AG ('GRAG'), incorporated in Germany.

Directors

The names of each person holding the position of Director of General Reinsurance Life Australia Ltd. during the financial year were:

Kathryn J McCann
Keith Scott
Stephen Ferguson
James Louw
Andrew Gifford

	2023	2022
Related party balances (owing)/receivable at reporting date	**$'000**	**$'000**
General Reinsurance AG	(3,263)	(2,819)
General Reinsurance Australia Ltd	458	1,859
Head Office:		
General Reinsurance Life Australia Ltd - other payables	(13,240)	(2,274)
General Reinsurance Life Australia Ltd - head office account	(532)	(532)
Management charges paid to related entities		
General Reinsurance Life Australia Ltd	8,061	5,952
New England Asset Management, Inc.	110	93

Retrocessions

The company is a party to retrocession agreements with related parties. These agreements are entered into under normal commercial terms and conditions. Details of transactions are listed below.

	2023	2022
	$'000	**$'000**
Related party: General Reinsurance AG		
Allocation of retroceded reinsurance premiums	(3,101)	(2,812)

Intercompany balances are at no interest and are due on demand.

13 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of net operating cash flows to net profit

	2023	2022
Net Profit after income tax	7,410	(1,655)
Loss on sale of investments	657	3,714
Unrealised movement in fair value of investments	(9,245)	3,612
Change in operating assets and liabilities		
(Increase)/decrease in life insurance contracts	(27,482)	21,418
Increase/(decrease) in payables and provisions	33,090	(12,000)
Increase in amount owing to head office	10,965	9,876
Movement in tax accounts	(452)	(3,602)
Net cash provided by operating activities	**14,943**	**21,363**

14 FINANCIAL INSTRUMENTS

(a) Credit Risk Exposure

Financial assets or liabilities arising from insurance and reinsurance contracts are stated in the Statement of Financial Position at the amount that best represents the maximum credit risk exposure at balance date. There are no significant concentrations of credit risk.

(b) Interest Rate Risk

The branch's exposure to interest rate risk is managed through adjustments to the investment portfolio. The company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out below in section (j).

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

14 FINANCIAL INSTRUMENTS (continued)

(c) Net fair value of financial assets and liabilities
The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the branch approximates to their carrying value. The net fair value of other monetary financial assets and financial liabilities is based upon market prices.

(d) Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 of the financial statements.

(e) Capital risk management
The company manages its capital to ensure that while maximising the return to stakeholders through the optimisation of equity, it will continue operating as a going concern.

The capital structure of the branch consists of cash and cash equivalents (as disclosed in the Statement of Financial Position) and

The company's capital is managed through its ICAAP. The ICAAP is reviewed internally on an annual basis. Independent reviews are performed every three years.

The capital management strategy through the ICAAP Summary Statement is currently being reviewed. These changes are designed to further strengthen the capital and retrocession support of the company.

(f) Categories of financial instruments

	Note	2023 $'000	2022 $'000
Financial assets			
Financial assets at fair value through profit or loss (i)			
Fixed interest securities		211,643	187,530
Amortised cost			
Cash and cash equivalents		22,539	22,900
Other assets	7	458	1,859
Financial liabilities			
Amortised cost			
Payables	8	83,012	40,138

(i) Financial assets carried at fair value through profit or loss have been designated as such upon initial recognition. None of the receivables are designated as 'fair value through profit or loss'.

(g) Financial risk management objectives
It is ultimately the responsibility of the Board to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the Board has explicitly allocated to the Managing Director, the function of overseeing the establishment and maintenance of risk-based systems and controls across the branch. The Chief Risk Officer (CRO) reviews, monitors and reports on the RMS to the Managing Director and the Board Risk Committee.

As part of the overall governance framework the Board and senior management of the branch have developed, implemented and maintain a sound and prudent RMS. The RMS identify the branch's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the branch.

(h) Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the branch. The branch has adopted the policy of only dealing with creditworthy cedants and bond issuers as a means of mitigating the risk of financial loss from defaults. The branch's overall strategy in respect of credit risk management remains unchanged from 2022.

	Note	2023 $'000	2022 $'000
Financial assets			
Cash and cash equivalents		22,539	22,900
Financial assets at fair value through profit or loss			
Fixed interest securities		211,643	187,530
Loans and receivables			
Other assets	7	458	1,859
		234,640	**212,289**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

14 FINANCIAL INSTRUMENTS (continued)

(i) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations under the reinsurance contracts it has entered into. Ultimate responsibility for liquidity risk management rests with the Board of directors, which has implemented appropriate liquidity risk management framework for the management of the branch's short, medium and long-term funding and liquidity management requirements. The branch manages liquidity risk by maintaining appropriate levels of financial assets that are readily realisable and by continuously monitoring forecast and actual cash flows in order to match the maturity profiles of assets and liabilities. The company has developed and implemented a Risk Management Strategy. The company's overall strategy in liquidity risk management remains unchanged from 2022.

The following tables summarise the maturity profile of the branch's financial liabilities. The tables have been drawn up on the basis of undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay.

The tables below include both interest and principal cash flows.

	Weighted average interest rate	Less than 1 year	1-5 years	5+ years	Total
2023	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities					
Non-interest bearing:					
Payables	-	83,012	-	-	83,012
		83,012	**-**	**-**	**83,012**
2022	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities					
Non-interest bearing:					
Payables	-	40,138	-	-	40,138
		40,138	**-**	**-**	**40,138**

(j) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The company has put in place policies and procedures to mitigate its exposure to market risk. There has been no change to the company's exposure to the different elements of market risk or the manner in which it manages and measures these risks.

Interest rate risk management

The branch's activities expose it to the financial risk of changes in interest rates. Fixed interest rate instruments expose the branch to interest rate risk. The company's Investment Manager closely monitors the branch's exposures to interest rate risk.

The branch's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

	Weighted average interest rate	Less than 1 year	1-5 years	5+ years	Total
2023	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Non-interest bearing:					
Receivables	-	458	-	-	458
Variable interest rate instruments:					
Cash	5.50	22,539	-	-	22,539
Fixed interest rate instruments:					
New Zealand Government	5.31	-	211,644	-	211,644
		22,997	**211,644**	**-**	**234,641**
2022					
Non-interest bearing:					
Receivables	-	1,859	-	-	1,859
Variable interest rate instruments:					
Cash	5.07	22,900	-	-	22,900
Fixed interest rate instruments:					
New Zealand Government	5.10	-	187,529	-	187,529
		24,759	**187,529**	**-**	**212,288**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

14 FINANCIAL INSTRUMENTS (continued)

(j) Market risk (continued)

Interest rate risk management (continued)

The branch’s sensitivity to movements in interest rates in relation to the value of interest-bearing financial assets is shown below.

	+100bps		-100bps	
	2023	**2022**	**2023**	**2022**
Effect of 100 basis point increase or decrease	**$’000**	**$’000**	**$’000**	**$’000**
on profit (+/-)	(1,029)	(2,322)	1,041	2,365

Foreign currency risk management

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The branch's financial assets are primarily denominated in the same currencies as its reinsurance contract liabilities which mitigates the foreign currency exchange risk. The branch’s overall strategy in respect of foreign currency risk management remains unchanged from 2022.

Foreign currency sensitivity

There is no significant foreign currency exposure and accordingly no foreign currency sensitivities have been disclosed.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Fair value measurements assume the asset or liability is exchanged in an orderly manner; that the exchange is in the principal market for that asset or liability (or in the most advantageous market when no principal market exists); and the market participants are independent, knowledgeable, able and willing to transact an exchange. Non-performance risk (credit risk) is considered in valuing liabilities. The carrying value of the branch’s cash and cash equivalents, receivables, other assets, all insurance related balances and accounts payable, accruals and other liabilities are deemed to be reasonable estimates of their fair value.

Investments

The estimated fair values for fixed maturity securities were generally based on quoted market prices or estimated from independent pricing services. Where quoted market prices are not available, fair values are estimated using present value or valuation techniques. Considerable judgment may be required in interpreting market data used to develop the estimates for fair value. As a result the estimated fair values presented may not be representative of the actual amount that could be realized in a current market transaction. The use of different market assumptions and models may have a material effect on the estimated fair values. The fair value of investments on the Statement of Financial Position was determined by reviewing available financial information of the investee and by performing other financial analyses in consultation with external advisors.

A framework exists for measuring fair values using a hierarchy for observable independent market inputs and unobservable market assumptions. The hierarchy consists of three levels, ranging from the category deemed to be most reliable to a category where fair value is measured using significant unobservable inputs because of the lack of observable market prices for the instrument, or Levels 1 through 3, respectively. A description of the inputs used in the valuation of assets and liabilities under the three levels follows:

- Level 1 – Inputs represent unadjusted quoted prices for identical assets or liabilities exchanged in active markets.
- Level 2 – Inputs include directly or indirectly observable inputs other than Level 1 inputs such as quoted prices for similar assets prices for similar assets or liabilities exchanged in active or inactive markets; quoted prices for identical assets or liabilities exchanged in inactive markets; other inputs that are considered in fair value determinations of the assets or liabilities, such as interest rates and yield curves that are observable at commonly quoted intervals; volatilities, prepayment speeds, loss severities, credit risks and default rates and inputs that are derived principally from or corroborated by observable market data by correlation or other means. Fair values for the company’s investments in fixed maturity securities are primarily based on market prices and market data available for instruments with similar characteristics since active markets are not common for many instruments. Pricing evaluations are based on yield curves for instruments with similar characteristics such as credit rating, estimated duration and yields for other instruments of the issuer or entities in the same industry sector.
- Level 3 – Inputs include significant unobservable inputs used in the measurement of assets and liabilities. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities or related observable inputs that can be corroborated at the measurement date. Measurements of non-exchange traded derivative contracts and certain other investments carried at fair value are based primarily on valuation models, discounted cash flow models or other valuation techniques that are believed to be used by market participants. Unobservable inputs require management to make certain projections and assumptions about the information that would be used by market participants in pricing assets or liabilities.

NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

14 FINANCIAL INSTRUMENTS (continued)

(j) Market risk (continued)

Financial assets and liabilities

Financial assets and liabilities measured at fair value in the financial statements as at 31 December 2023 and 2022 and are summarized in the following table by the type of inputs applicable to the level of the fair value measurement (in thousands).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2023				
Fixed maturity bonds				
New Zealand Government	211,643	-	-	211,643

There were no transfers between Level 1 and Level 2 during the period.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2022				
Fixed maturity bonds				
New Zealand Government	187,530	-	-	187,530

15 ADDITIONAL COMPANY INFORMATION

Principal Place of Business and Registered Office

Level 15 Forsyth Barr Tower
55 Shortland Street
Auckland 1010
New Zealand

Type of Company

The branch is part of a company which operates as a for profit unlisted public company in Australia.

Independent Auditor’s Report to the Members of General Reinsurance Life Australia Ltd. - New Zealand Branch

Opinion

We have audited the financial statements of General Reinsurance Life Australia Ltd. - New Zealand Branch (the “Branch”) which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information as set out on pages 10 to 41.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Branch’s financial position as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with 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 are independent of the Entity 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)(IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other than in our capacity as auditor, we have no relationship with or interests in the Branch, except that partners and employees of our firm deal with the Branch on normal terms within the ordinary course of trading activities of the business of the Branch.

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

Emphasis of Matter – New Zealand Branch

The New Zealand branch is part of General Reinsurance Life Australia Ltd., which is incorporated in Australia. As described in Note 1, the assets of the branch are legally available for the satisfaction of debts of General Reinsurance Life Australia Ltd., not solely those appearing on the accompanying statement of financial position and its debts may result in claims against assets not appearing thereon. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>
Insurance Contract Liabilities – Refer to Notes 3 and 9
The Branch has reported $108.6million in insurance contract liabilities representing 55.8% of its total liabilities. Insurance contract liabilities are determined in accordance with NZ IFRS 17 Insurance Contracts (IFRS 17). This requires the use of complex valuation models and assumptions to measure groups of contracts at the estimate of the present value of fulfillment cash flows, which includes an explicit risk adjustment for non-financial risk and the contractual service margin ("CSM").
While there are many assumptions which management makes, the assumptions with the greatest estimation uncertainty are those related to mortality, morbidity, policyholder behaviour, expenses and discount rates. These assumptions required significant auditor attention in specific circumstances where (i) there is limited Branch and industry experience data, (ii) the historical experience may not be a good indicator of the future and (iii) the determination of discount rates requires measurement of unobservable market inputs. Auditing of certain valuation models, mortality, morbidity, policyholder behaviour, expenses and discount rate assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.
</td><td>
Our audit procedures related to certain valuation models, mortality, morbidity, policyholder behaviour, expenses and discount rate assumptions included the following, among others:

With the assistance of actuarial specialists, tested the appropriateness of certain valuation models used in the estimation process by:

Evaluating the accuracy of the Branch's application of model inputs and model components;
Evaluating the Branch's valuation models within the IFRS 17 calculation engine;
Performing independent calculations in testing the accuracy of changes to model outputs is aligned with the changes of model inputs.

With the assistance of actuarial specialists, tested the reasonableness of mortality, morbidity, policyholder behaviour, expenses and discount rate assumptions by:

Evaluating whether management's assumptions were determined in accordance with the requirements of IFRS 17;
Testing experience studies and other inputs used in the determination of the mortality, morbidity, policyholder behaviour, expenses and discount rate;
Analysing management's interpretation and judgement of its experience study results and emerging claims experience, evaluating triggers and drivers for revisions of assumptions, assessing reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking where applicable.

With the assistance of actuarial specialists, evaluated the reasonableness of the discount rates used by independently assessing and challenging the range of discount rate estimates provided by management.

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<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>
Adoption of new and amended Accounting Standards – IFRS 17 Insurance Contracts (“IFRS 17”) – Refer to Note 1 to the financial statements

The Branch adopted IFRS 17 effective 1 January 2023 which had an impact on the Branch’s opening equity balances. IFRS 17 is a complex accounting standard requiring considerable judgment and interpretation in its implementation and impacts how the Branch recognizes, measures, presents and discloses insurance contracts.

In adopting IFRS 17, the Branch has made an accounting policy choice to apply the fair value approach for all groups of contracts where full retrospective application is impracticable. The fair value approach calculates the initial CSM as the difference between the fair value of a group of insurance contracts and the fulfillment cash flows measured at that date.

There are many components embedded in the determination of the valuation of the insurance contract liabilities and initial CSM as at 1 January 2022 that required management to make judgments and assumptions related to (1) the appropriateness of the fair value methodology, and (2) the appropriateness of the valuation models that incorporate projections of cash inflows and outflows and (3) the appropriateness of the discount rates.

Auditing of these judgments, assumptions and estimates required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.
</td><td>
With the assistance of various specialists, our audit procedures related to the determination of the insurance contract liability as at 1 January 2022 included the following, among others:

Tested the design and implementation of relevant controls put in place by Management over the IFRS 17 actuarial valuation processes.
Evaluated management’s selection of the fair value approach against the requirements of IFRS 17 and IFRS 13 Fair Value Measurement.
Evaluated the projections of cash inflows and outflows by:

Evaluating the valuation models and methodologies and their applicability under IFRS 17;
Examining the audited historical projected cashflows and assumptions to ensure they are incorporated into the transition valuation models as applicable;
Evaluating triggers and drivers for revisions of key assumptions under IFRS 17;
Evaluating that calculations from the valuation models are aligned with the stated methodology.

Evaluated the reasonableness of the discount rates used by independently assessing and challenging the range of discount rate estimates provided by management.

</td></tr>
</table>

Other Information

The Directors on behalf of the Branch are responsible for the other information. The other information comprises the Directors’ Report included in the Branch’s Financial Report for the year ended 31 December 2023, but does not include the financial statements and our auditor’s report thereon.

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

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

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performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Entity are responsible on behalf of the Branch for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible on behalf of the Branch for assessing the ability of the Branch to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Branch or to cease operations, or has 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 (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.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Gaudreault.

DELOITTE TOUCHE TOHMATSU

David Gaudreault
Partner
Chartered Accountants
Sydney, Australia, 26 March 2024

The people behind the promise®

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