General Reinsurance Australia Ltd.

(ABN 16 008 427 450)

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. In order to comply with the Corporations Act 2001, the Directors report as follows:

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, resigned 4 June 2024)
Stephen Ferguson (commenced 18 November 2021)
Andrew Gifford (commenced 11 May 2018)
Neal Mullen (commenced 1 May 2019)
Ben Walsh (commenced 5 June 2024)

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.
Neal Mullen BBus, ANZIIF (Snr Assoc), AAICD - Managing Director	Mr Mullen has over 23 years' experience in the insurance and reinsurance industries in the UK and Australia. His experience spans multiple lines of business and disciplines including primary and reinsurance portfolio management as well as complex individual risk underwriting roles. During his career he has held a number of leadership positions spanning both Primary Insurance and Reinsurance. He joined Gen Re in 2016 as Casualty Facultative Manager; in this role he was responsible for maintaining and strengthening the Australia and New Zealand Casualty Facultative offering for Gen Re and was appointed Managing Director of General Reinsurance Australia on 1 May 2019.
Ben Walsh BCom (Hons), MBA (Melb), FANZIIF, MAICD - Non-Executive Director - Chair of Board Risk Committee - Chair of Board Remuneration - Member of Board Audit Committee	Mr Walsh's executive experience over a period of 30 years has included a diverse range of industries including actuarial & investment consulting, general insurance broking, superannuation and life & health insurance. He has held many international and local executive roles with Marsh & McLennan Companies (Chief Country Officer, Australia, 2018-2020), Mercer (Chief Executive Officer & Managing Director, Australia & New Zealand, 2015-2020) and AIA Australia (Chief Insurance & Investments Officer, 2020-2022). He has 20 years' Board experience having been a Board Chair, Director and Committee member for a number of Trustee, Corporate, Industry, Philanthropy and Community Sport Boards and Committees. He holds a Master of Business Administration degree, is a Fellow of the Australian and New Zealand Institute of Insurance and Finance, and is a Member of the Australian Institute of Company Directors. He was appointed to the Board, and to the Chair of the Risk and Remuneration Committees, on 5 June 2024.

DIRECTORS' REPORT (continued)

Directors (continued)

Name and qualifications	*Experience and special responsibilities*
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.

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
Neal Mullen	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 hereunder:

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 company is reinsurance underwriting.

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

Operating Results
The net profit of the company for the year, after provision for income tax, amounted to $41,600,000 compared with the 2022 restated profit of $22,006,000.

DIRECTORS' REPORT (continued)

Dividends
No dividend was declared during 2023 (2022: $25,900,000).

State of affairs

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

Events subsequent to balance date

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

Environmental regulation

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

Rounding of amounts to nearest thousand dollars

The company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts have been rounded off to the nearest thousand dollars in the Directors' report and financial report in accordance with that Instrument, unless stated otherwise.

Acknowledgements

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

Auditor's independence declaration

The auditor's Independence Declaration is contained on page 6.

Approval

Signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the Corporations Act 2001 on 14 June 2024.

On behalf of the Directors:

Kate McCann

K. J. McCann
Chair

N. Mullen
Managing Director

Sydney, 14 June 2024

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14 June 2024

The Directors
General Reinsurance Australia Ltd
Level 20, 1 O'Connell Street
SYDNEY NSW 2000

Dear Board Members

Auditor's Independence Declaration to General Reinsurance Australia Ltd.

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of General Reinsurance Australia Ltd.

As lead audit partner for the audit of the financial report of General Reinsurance Australia Ltd. for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Gaudreault

David Gaudreault
Partner
Chartered Accountants

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	13	253,292	157,416
Insurance service expenses	13	(186,136)	(87,560)
Insurance service result from gross reinsurance contracts issued		**67,156**	**69,856**
Allocation of retroceded reinsurance premiums	13	(101,841)	(79,166)
Amounts recovered for reinsurers for claims incurred	13	94,405	38,062
Net expense from retroceded reinsurance contracts held		**(7,436)**	**(41,104)**
Insurance service result		**59,720**	**28,752**
Interest income		21,369	7,738
Net investment gain/(loss)		1,226	(15,422)
Investment expenses		(461)	(486)
Net investment income/(expense)	5(b)	**22,134**	**(8,170)**
Net finance expenses from gross reinsurance contracts issued	13	(18,083)	27,817
Net finance income from retroceded reinsurance contracts held	13	6,651	(7,085)
Net insurance finance (expense)/income		**(11,432)**	**20,732**
Other income and expense		(13,950)	(10,880)
Profit before income tax		**56,472**	**30,434**
Income tax expense	6(a)	(14,872)	(8,428)
Profit after income tax		**41,600**	**22,006**
Items that may be reclassified subsequently to profit/loss		-	-
Items that will not be reclassified subsequently to profit/loss		-	-
Other comprehensive income		-	-
Total comprehensive income for the year attributable to the shareholders of the company		**41,600**	**22,006**

The company adopted AASB 17 Insurance Contracts from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 1(l).

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

For the financial year ended 31 December 2023	Contributed Equity	Retained Earnings	Total
	$'000	$'000	$'000
Balance as at 1 January 2023	132,245	239,621	371,866
Dividends declared / paid during the year	-	(25,900)	(25,900)
Total comprehensive income for the year	-	41,600	41,600
Balance as at 31 December 2023	**132,245**	**255,321**	**387,566**

For the financial year ended 31 December 2022			
	$'000	$'000	$'000
Balance as at 1 January 2022	132,245	246,489	378,734
Impact of initial application of AASB 17	-	1,126	1,126
Restated balance as at 1 January 2022	**132,245**	**247,615**	**379,860**
Dividends declared / paid during the year	-	(30,000)	(30,000)
Total comprehensive income for the year	-	22,006	22,006
Restated balance as at 31 December 2022	**132,245**	**239,621**	**371,866**

The company adopted AASB 17 Insurance Contracts from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 1(l).

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	31 Dec 2023 $'000	Restated 31 Dec 2022 $'000	Restated 1 Jan 2022 $'000
Assets				
Cash and cash equivalents	7	45,762	41,496	98,078
Investments	11	760,036	788,833	743,111
Other assets	8	23,670	10,556	1,012
Gross reinsurance contract assets	13	3,295	984	-
Retroceded reinsurance contract assets	13	181,037	154,237	166,513
Current tax assets		32,330	-	-
Deferred tax assets	6(b)	6,737	9,930	6,058
Property and equipment	9	705	223	65
Right-of-use assets	10	2,721	3,465	654
Total assets		**1,056,293**	**1,009,724**	**1,015,491**
Liabilities				
Current tax liabilities		-	2,355	3,006
Gross reinsurance contract liabilities	13	547,857	518,427	538,424
Retroceded reinsurance contract liabilities	13	223	660	-
Reinsurance funds held	14	86,921	79,669	72,264
Other payables	16	28,812	31,238	19,472
Lease liabilities	17	3,318	3,763	719
Provisions	15	1,596	1,746	1,746
Total liabilities		**668,727**	**637,858**	**635,631**
Net assets		**387,566**	**371,866**	**379,860**
Equity				
Contributed equity	18	132,245	132,245	132,245
Retained earnings		255,321	239,621	247,615
Total equity		**387,566**	**371,866**	**379,860**

The company adopted AASB 17 Insurance Contracts from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 1(l).

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		237,455	159,549
Retroceded reinsurance paid		(92,340)	(72,940)
Claims paid		(161,262)	(82,858)
Reinsurance recoveries received		64,318	37,687
Reinsurance funds		7,252	7,405
Other payments to employees, suppliers, and related parties		(62,154)	(7,293)
Interest received		10,561	22,872
Investment expenses paid		(461)	(486)
Income tax paid		(13,599)	(13,080)
Net cash (used)/provided by operating activities	20	**(10,230)**	**50,856**
Cash flows from investing activities			
Payments for purchase of investments		(370,011)	(555,483)
Proceeds from sale/maturity of investments		411,238	479,067
Payments for fixed assets		(606)	(198)
Net cash provided/(used) by investing activities		**40,621**	**(76,614)**
Cash flows from financing activities			
Dividends paid		(25,900)	(30,000)
Payments for lease liabilities		(561)	(711)
Net cash used in financing activities		**(26,461)**	**(30,711)**
Net increase/(decrease) in cash and cash equivalents during the financial year		**3,930**	**(56,469)**
Cash and cash equivalents at beginning of financial year		41,496	98,078
Exchange fluctuations on cash and cash equivalents held in foreign currencies		336	(113)
Cash and cash equivalents at end of financial year	7	**45,762**	**41,496**

The company adopted AASB 17 Insurance Contracts from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 1(l).

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

This general purpose financial report has been prepared in accordance with applicable Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board ('AASB'), the *Corporations Act 2001* and complies with other requirements of the law. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards ('IFRS').

These financial statements are presented in Australian Dollars ($), which is the company's functional currency. All financial information presented in Australian Dollars has been rounded to the nearest thousand, except where otherwise indicated.

The financial statements were authorised for issue by the Directors on 14 June 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, right of use assets and lease liabilities which are adjusted for any remeasurement of lease liabilities, 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 the Accounting Standard AASB 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 AASB 17 Insurance Contracts.

Material 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. The following material accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Reinsurance contracts issued

Separating components from reinsurance contracts

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

Level of aggregation

AASB 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the company 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.

The company 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 company 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 immediately recognised in profit or loss.

Recognition

The company 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 date.
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

The company 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.

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

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(a) Reinsurance contracts issued (continued)

Contract boundary
The company 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 company can compel the policyholder to pay the premiums, or in which the company has a substantive obligation to provide the policyholder with services.

A substantive obligation to provide insurance contract services ends when the company 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 company 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 company 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 company 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 discount rates are based on market yields on risk free securities applicable to the currency at the balance date, varies according to payment date and includes an allowance for the illiquidity premium. The liabilities are primarily denominated in AUD and NZD, and for these currencies the discount rates are based on Australian and New Zealand Government securities respectively.

The company measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk, separately as an adjustment for non-financial risk. The company uses the confidence level approach to determine a risk adjustment that is calibrated to the 75% confidence interval and applies a loading of cost of claims. The risk adjustment includes the benefit of diversification.

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 company will recognise as it provides services in the future. The company 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 company 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 company 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.

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 – 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 company 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 company comprised the fulfilment cash flows related to past service allocated to the group at that date.

Presentation
The company 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 company 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 company 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 company separately presents income or expenses from reinsurance contracts held from the expenses or income from reinsurance contracts issued.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(a) Reinsurance contracts issued (continued)

Presentation (continued)

Insurance revenue

The company'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 company 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 company 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 company 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 company 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 company 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.

(b) Retroceded reinsurance contracts held

The measurement of reinsurance contracts held follows the same principles as those for underlying retrocession 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 company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.
- The company 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.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(c) 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 company 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 company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The company 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 company'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 company'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 company'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 company's original expectations, the company 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.

As a second step of its classification process the company 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 company 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 company'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.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(c) Investments (continued)

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.

(d) Depreciation

Depreciation is calculated on a straight line basis so as to write off the net book value of fixed assets over their estimated effective working lives to their estimated residual value. The following estimated useful lives are used in the calculation of depreciation:

Furniture and equipment	3 to 5 years
Leasehold improvements	Lesser of 10 years or term of lease

(e) Foreign currency

Foreign currency transactions are translated to Australian 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 Statement of Profit or Loss and Other Comprehensive Income 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.

Tax consolidation

The company is a member of a multiple entry consolidated (MEC) group for Australian income tax purposes with the provisional head entity being General Reinsurance Australia Ltd. The consolidated group was formed on 2 August 2016 with an effective date of 1 January 2015. All entities that form part of the MEC group have signed tax funding and tax sharing agreements with the provisional head entity.

The company accounts for its own current and deferred tax amounts. These tax amounts are measured under the 'Separate taxpayer within group' approach. This approach adjusts for transactions and events occurring within the tax consolidation group that do not give rise to a tax consequence for the group or that have different tax consequences at the group level.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(f) Income tax (continued)

Tax consolidation (continued)

When recognising deferred taxes in the separate financial statements of each entity in the tax consolidated group, temporary differences are measured by reference to the carrying amounts of assets and liabilities in the entity's statement of financial position. Deferred taxes are transferred to the head entity only as and when they are utilised by the Provisional Head Company.

Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreement is recognised as a contribution to (or distribution from) commonly controlled tax consolidated entity.

The company operates a Taxation Governance Framework which governs the taxation risk appetite, the associated risks, controls and procedures, and the reporting and oversight of taxation matters for the company. This framework operates across all entities that form part of the MEC group.

(g) Accounts payable

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) Provision for employment entitlements

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at balance date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. They are discounted to their present value using a market-determined, risk-adjusted discount rate.

Salaries and annual leave

Liabilities for salaries and annual leave are recognised, and are measured, as the net present value of expected future cash flows in respect of employees' services up to balance date.

Long service leave

A liability for long service leave is recognised, and is measured, as the present value of expected future payments to be made in respect of services provided by employees up to balance date. Consideration is given to expected future wage and salaries levels, experience of employee departures and periods of service.

(i) Superannuation

The company makes contributions on behalf of employees to their accumulation superannuation funds. The contributions are recognised as an expense over the period of services provided by the employees.

(j) 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.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(k) Leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Properties	Lesser of 10 years or term of lease

Right-of-use assets

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(l) New and amended standards and interpretations

The company applied AASB 17 Insurance Contracts (AASB 17) and AASB 9 Financial Instruments (AASB 9), 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 an impact on the financial statements of the company. The company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

(l) New and amended standards and interpretations (continued)

AASB 17 Insurance Contracts

AASB 17 Insurance Contracts (AASB 17) replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. The company has restated comparative information for 2022.

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

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

The company has applied the full retrospective approach on transition to all contracts issued on or after 1 January 2019. For groups of contracts issued before 1 January 2019 the fair value approach was applied. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort.

AASB 9 'Financial Instruments' and the relevant amending standards

AASB 9 Financial Instruments (AASB 9) was issued during 2014 and replaces AASB 139 Financial Instruments: Recognition and Measurement. The company elected to apply the temporary exemption from AASB 9 which was allowed under AASB 4 Insurance Contracts, deferring the initial application date of AASB 9 to align with the intimal application of AASB 17.

The company has applied AASB 9 retrospectively. The application of AASB 9 does not have a significant impact on the financial statements of the company and the company has not restated the prior year comparative.

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

At the date of authorisation of the financial report, the following AASB Standards and amendments were issued but not yet effective and have not been applied in preparing the company's financial statements. Assessment of the impact of the initial application of the following Standards and Interpretations is still to be completed:

Standard	*Effective for annual reporting periods beginning on or after*	*Expected to be initially applied in the financial year ending*
AASB 2020-1 "Amendments to Australian Accounting Standards – Classification of Liabilities as current or Non-current"	1 January 2024	31 December 2024
AASB 2023-1 "Amendments to Australian Accounting Standards – Supplier Finance Arrangements"	1 January 2024	31 December 2024

AASB 2020-1 "Amendments to Australian Accounting Standards – Classification of Liabilities as current or Non-current"

In March 2020, the AASB issued AASB 2020-1 which makes amendments to AASB 101 Presentation of Financial Statements 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 company's financial position or financial statement disclosures.

AASB 2023-1 "Amendments to Australian Accounting Standards – Supplier Finance Arrangements"

In May 2023, the AASB issued amendments AASB 2023-1 with amends AASB 107 Statement of Cash Flows and AASB 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 company'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 company has not entered or public sector entities. These standards will not have a material impact on the company's financial statements or financial disclosures.

The company expects to adopt these standards where applicable for the annual reporting periods beginning on or after the operative dates set out above.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The company 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.

All the company's assets are available to support the company's reinsurance liabilities, with the exception of reinsurance funds held under retrocession arrangements (refer to Note 11).

Reinsurance contract assets and liabilities issued and retroceded reinsurance contract assets and liabilities held

By applying AASB 17 to measurement of reinsurance contracts issued and retroceded reinsurance contracts held, the company has made estimations in the following key areas. They form part of the overall balances of insurance contract assets and liabilities and reinsurance contract assets and liabilities:

- Future cash flows
- Discount rates
- Allocation rate for insurance finance income or expenses
- Risk adjustment for non-financial risk

In estimating fulfilment cash flows included in the contract boundary, the company considers the range of all possible outcomes in an unbiased way specifying the amount of cash flows, timing and probability of each scenario reflecting conditions existing at the measurement date, using a probability-weighted average expectation. The probability weighted average represents the probability-weighted mean of all possible scenarios. In determining possible scenarios, the company uses all the reasonable and supportable information available to them without undue cost or effort, which includes information about past events, current conditions and future forecasts.

The discount rates are based on market yields on risk free securities applicable to the currency at the balance date, varies according to payment date and includes an allowance for the illiquidity premium. The liabilities are primarily denominated in AUD and NZD, and for these currencies the discount rates are based on Australian and New Zealand Government securities respectively.

The company uses either the constant or crediting rate in the systematic allocation of insurance finance income or expenses. The constant rate used in a period is calculated applying the formula which uses three variables: the estimate of future cash flows at the end of the reporting period (not discounted), the present value of future cash flows brought forward discounted by the constant rate used in the previous period, and the expected duration of the group contracts. In determining the constant rate, the Group estimates the expected insurance finance income or expenses over the remaining duration of the group that is partly implicit in the estimated cash flows.

The risk adjustment for non-financial risk is the compensation the company requires for bearing the uncertainty about the amount and timing of the cash flows arising from insurance risk and other non-financial risks such as expense risks. It measures the degree of variability of expected future cash flows and the company-specific price for bearing that risk and reflects the degree of the company's risk aversion. The company's treatment of risk adjustment is explained in Note 3.

Assets from reinsurance contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure the balance is reflective of the amounts that will ultimately be recovered.

Recoverability of deferred tax assets

Determining whether deferred tax assets are recognised requires an estimation of future taxable profits against which the assets can be released. This estimation process is based on relevant available information pertaining to the business and the exercise of management judgement.

Recognition therefore involves judgements and estimations regarding the future financial performance of the company and reflects a prudent regard, where considered appropriate, for the inherent uncertainties associated with making such estimations and judgements in relation to deferred tax assets.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

3 ACTUARIAL ASSUMPTIONS AND METHODS

This section outlines the methods and assumptions used to derive the company's insurance liabilities. Where appropriate, the company's estimate of AASB 17 liabilities is consistent with the Appointed Actuary's assumptions used for the APRA insurance liabilities, specifically key assumptions to derive the LIC and the risk adjustment assumptions

The company values the policy liabilities for each group of insurance contracts using the General Measurement Model ("GMM") as required under AASB 17 and in line with the Gen Re Group approach. To model using GMM, projected future cashflows are used as input, along with other key assumptions, to produce the insurance liabilities, which consist of two components - The Liability for Remaining Coverage ("LRC") and the Liability for Incurred Claims ("LIC") :

The LRC replaces the Unearned Premium, Unexpired Risk Liability and Premium Receivable amounts under AASB 1023. It consists of the Fulfilment Cash Flows (FCF), Risk Adjustment and Contractual Services Margin:

- **Fulfilment Cash Flows (FCF)**: Calculated by taking the discounted value of expected future cashflows, both inward and outward to the company. These cashflows are those directly related to the fulfilment of the company's insurance contracts and include estimates for future written business.
- **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 component of the FCF and is modelled as a separate cash flow.
- **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 claims 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 discount and foreign exchange rates that prevailed when the contract was written.

The LIC replaces the outstanding claims reserve under AASB 1023 and consists of the case estimate reserve, Incurred But Not Reported claims ("IBNR"), an allowance for claims handling expenses and the Risk Adjustment:

- **Case estimate reserve**: These are usually estimates provided by the company's cedants for the likely outstanding amounts relating to claims reported. In some cases, the company's internal claims assessors may overwrite cedant's estimates where they deem this does not accurately reflect the likely value of the claim.
- **Incurred But Not Reported claims ("IBNR")**: Thes are the Appointed Actuary's estimate of the outstanding amounts to be paid in relation to claims yet to be reported, plus any under/over-estimation of the case estimate reserve.
- **Risk Adjustment ("RA")**: The Risk Adjustment is calculated as a multiplicative loading that applies to the present value of future claims within the LIC.

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

- Portfolio level, consisting of insurance contracts covering similar risks which are managed together;
- Cohort level, slicing the Portfolio level into underwriting years;
- Group level, which subdivides the Cohort level into different degrees of profitability (onerous, no significant possibility of becoming onerous and remainder

The general principle the company adopts is to define the portfolios based on the form of reinsurance (proportional, non-proportional and facultative) and line of business (e.g., motor, property, etc.) with occasional exceptions for unusual or especially large treaties.

Loss ratios

In the LIC, these are the assumed ultimate loss ratios including IBNR and are selected by the Appointed Actuary with respect to past incurred claims and, if the past experience is volatile, professional judgement. This is done on a reserve segment level.

In the LRC, these are the loss ratios to be applied to the future earned premiums to form the claims component of the FCF. These loss ratios reflect the pricing loss ratios, which are the company's best estimate view of the future performance of unearned and future written business. Pricing loss ratios are an appropriate source for the LRC because they incorporate the expected experience of future written business and applying the treaty specific pricing loss ratios which more appropriately reflects future profitability.

Expense rate

Generally, a 1% loading for claims handling expenses is applied to both the LIC and LRC. For the LRC, a 2% policy administration expense loading is also applied to the forecast premium cash flows. Specific assumptions are adopted for insurance contracts that are particularly large or contain special features.

These assumptions are based on the current level of the company's expenses and are consistent with the Appointed Actuary's assumption for APRA reporting.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

3 ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Discount rate

The discount rates are based on market yields on risk free securities applicable to the currency at the balance date, varies according to payment date and includes an allowance for the illiquidity premium. The liabilities are primarily denominated in AUD and NZD, and for these currencies the discount rates are based on Australian and New Zealand Government securities respectively.

Mean term

The mean term represents the duration of the undiscounted cash flows and provides an indication of the time for the LIC and LRC to be fully paid, i.e. whether the liabilities are long or short tailed, shown in the following table.

	2023	2022
LIC	3.04	3.19
LRC*	2.02	N/A

* Mean term calculated on non-premium cash flows only, i.e. claims, non-distinct investment components, risk adjustment and expenses.

At 31 December 2023, the mean term (which is not affected by discount rates) is 3.04 years (previously 2.54).

Inflation

In the LIC, the IBNR reserves implicitly allows for claims inflation, and case reserves are set based upon expected ultimate settlement values which incorporates claims inflation as required. Additionally, the run-off loss ratio selection considers the extent in which the expected future inflation may differ from past inflation.

In the LRC, future expected inflation is a key consideration within the pricing process and hence forms part of the pricing loss ratios. Guidance on how underwriters should allow for future inflation is updated annually ahead of the key renewal periods. These typically prescribe relevant indexes in which to base inflation estimates.

Risk Adjustment

The company adopts risk adjustment factors consistent with the gross APRA Outstanding Claims and Premium Liabilities Risk Margins at the 75th probability of sufficiency adopted by the Appointed Actuary for the LIC and LRC respectively. Both insurance and retrocession contracts are assumed to have the same risk adjustment proportion.

Sensitivity analysis

The sensitivity of the company's profit and equity to key valuation assumptions is tabulated below:

2023		**CSM**	**Profit before tax**	**Equity**
		$'000	**$'000**	**$'000**
Recognised amount per Financial Statements		-	56,472	387,566
Variable	**Movement in variable**			
Discount	+ 1.0%	-	9,107	6,709
Rate	- 1.0%	-	(8,590)	(6,328)
Claims Handling	+ 50.0%	(186)	(2,009)	(1,480)
Expenses	- 50.0%	193	2,002	1,475
Claims	+ 10.0%	(4,995)	(43,296)	(31,894)
	- 10.0%	14,894	27,249	20,073

2022				
Recognised amount per Financial Statements		-	30,434	371,866
Variable	**Movement in variable**			
Interest	+ 1.0%	-	7,396	5,348
Rate	- 1.0%	-	(7,989)	(5,777)
Claims Handling	+ 50.0%	(112)	(2,226)	(1,609)
Expenses	- 50.0%	112	2,181	1,577
Claims	+ 10.0%	(3,214)	(29,848)	(21,582)
	- 10.0%	5,022	27,999	20,245

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 company are affected by a number of key risks including insurance risk, credit risk, market 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 company has an objective to control insurance risk thus minimizing substantial unexpected losses that would expose the company to a loss of capital.

In accordance with Prudential Standards CPS 220 *Risk Management* and GPS 230 *Reinsurance Management* issued by the Australian Prudential Regulation Authority (APRA), the Board and senior management of the company have developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS), Risk Appetite Statement (RAS) and a Reinsurance Management Strategy (REMS).

The Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement is reviewed on an annual basis, unless circumstances necessitate a more frequent review.

The ICAAP Summary Statement, RMS and REMS 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, ICAAP and REMS, and assesses their effectiveness; and
- Certifies to APRA 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 large single claims and catastrophes.
- The company'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 company 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.

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)

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 interest rate, currency, credit and liquidity risk that the company may incur.

(a) Interest rate risk

Fixed interest rate instruments expose the company to fair value interest rate risk. The company's risk management approach is to minimise interest rate risk by actively managing investment portfolios. The company 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.

(b) Credit risk

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.

(c) 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. Reinsurance contracts written in Australia and New Zealand are subject to substantially the same terms and conditions.

(d) Concentration of insurance risk

The company's exposure to concentrations of insurance risk is mitigated by a portfolio diversified into two major classes of business (Treaty and Facultative) written out of Australia and 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

5 PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities has been arrived at after including	2023 $'000	Restated 2022 $'000
(a) Profit before income tax includes the following specific items		
Depreciation and amortisation on property, plant and equipment (Note 9)	(105)	(41)
Lease expense	(559)	(1,254)
Employee benefits	(11,592)	(11,017)

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	2022 $'000
Interest on amortised cost investments	21,369	7,738
Investment income paid on reinsurance deposits	(3,569)	(462)
Realised losses	(1,783)	(1,196)
Unrealised gains/(loss) on investments held at Fair Value Through Profit and Loss	7,179	(12,839)
Foreign exchange loss	(601)	(925)
Expenses	(461)	(486)
	22,134	**(8,170)**

(c) Remuneration of auditors

	2023 $	2022 $
Audit and review of the financial statements and regulatory compliance by Deloitte Touche Tohmatsu	461,700	216,300
Other regulatory and assurance services	70,000	61,000
Remuneration of auditors	**531,700**	**277,300**

6 INCOME TAX

(a) Income tax expense

	2023 $'000	2022 $'000
Tax expense comprises:		
Current tax expense that relates to current year	(11,685)	(12,261)
Current tax relating to prior years' over provision	-	(27)
Deferred tax relating to temporary differences in current year	(5,613)	3,331
Deferred tax relating to prior years' over provision	2,426	529
Income tax expense relating to gain from ordinary activities	**(14,872)**	**(8,428)**

The prima facie income tax expense on the pre-tax accounting profit reconciles to the income tax expense shown in the Statement of Profit or Loss and Other Comprehensive Income, as follows:

	2023 $'000	2022 $'000
Profit before income tax	56,472	30,434
Income tax expense calculated at 30% (2022: 30%) of operating profit	(16,942)	(9,130)
Adjustment for Permanent differences:		
- Non-deductible entertainment expense	(8)	(3)
- New Zealand tax rate differential	96	140
Prior year over/(under) provision	2,426	502
New Zealand Source of Income provision	(441)	-
Foreign exchange differences on New Zealand branch profits	(3)	63
Total income tax expense	**(14,872)**	**(8,428)**

(b) Deferred tax

	2023 $'000	2022 $'000
At 31 December the net deferred tax asset comprises:		
Timing differences	**6,737**	**9,930**

The tax balances and reconciliation above are based on the current corporate tax rates of 30% (2022: 30%) applicable in Australia and 28% (2022: 28%) in New Zealand on taxable profits under Australian and New Zealand Income Tax Law respectively.

The Directors have recognised a deferred tax asset on the basis of forecasts showing that there will be taxable profits in the future for these to be utilised against.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

6 INCOME TAX (continued)

(b) Deferred tax (continued)

	Opening balance $'000	(Credited to)/ Charged to income $'000	Closing balance $'000
2023 Temporary differences			
Deferred losses available for future years	-	-	-
Accruals and other liabilities	1,800	(47)	1,753
Unrealised foreign exchange differences	46	163	209
Investments	3,778	(1,875)	1,903
Insurance provisions	4,306	(1,434)	2,872
	9,930	**(3,193)**	**6,737**
2022 Temporary differences			
Deferred losses available for future years	-	-	-
Accruals and other liabilities	2,819	(1,019)	1,800
Unrealised foreign exchange differences	(380)	426	46
Investments	(77)	3,855	3,778
Insurance provisions	3,696	610	4,306
	6,058	**3,872**	**9,930**

General Reinsurance Life Australia Limited transferred losses of $40,676,092 to General Reinsurance Australia Limited (refer to note 1(f)), and the company will reimburse the tax value thereof (2022: $Nil).

(c) Franking account

	2023 $'000	2022 $'000
Franking credits available for the subsequent financial year	**156,218**	**137,237**

No dividend was declared relating to the 2023 financial period (2022: $25,900,000). The ability to utilise the franking account credits is dependent on there being sufficient available profits to declare a dividend. The franking account represents amounts on an income tax paid basis.

At formation of the MEC group, disclosed in Note 1, the franking account balance of the joining entity, General Reinsurance Life Australia Ltd ($28,248,000), was transferred to the company.

7 CASH AND CASH EQUIVALENTS

	2023 $'000	2022 $'000
Cash on hand and at bank	44,968	40,922
Cash on deposit	794	574
	45,762	**41,496**
Of which is held as reinsurance collateral from General Reinsurance Corporation	21	45

8 OTHER ASSETS

	2023 $'000	2022 $'000
Sundry assets	23,548	10,556
Due from related entities:		
- General Reinsurance AG	122	-
	23,670	**10,556**

9 PROPERTY AND EQUIPMENT

	2023 $'000	2022 $'000
Carrying value of:		
Leasehold improvements	556	-
Furniture and equipment	149	223
	705	**223**

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

9 PROPERTY AND EQUIPMENT (continued)

	Leasehold improvements $'000	Furniture and equipment $'000	Total $'000
Cost:			
Balance as at 1 January 2022	17	1,138	1,155
Exchange differences on opening balance	-	(3)	(3)
Additions	-	198	198
Disposals	-	-	-
Balance as at 31 December 2022	17	1,333	1,350
Exchange differences on opening balance	-	(6)	(6)
Additions	606	-	606
Disposals	-	(208)	(208)
Balance as at 31 December 2023	**623**	**1,119**	**1,742**
Accumulated depreciation:			
Balance as at 1 January 2022	(17)	(1,073)	(1,090)
Exchange differences on opening balance	-	4	4
Disposals	-	-	-
Depreciation expense	-	(41)	(41)
Balance as at 31 December 2022	(17)	(1,110)	(1,127)
Exchange differences on opening balance	-	(13)	(13)
Disposals	-	208	208
Depreciation expense	(50)	(55)	(105)
Balance as at 31 December 2023	**(67)**	**(970)**	**(1,037)**

10 RIGHT-OF-USE ASSETS

	2023 $'000	2022 $'000
Carrying value of:		
Properties	**2,721**	**3,465**
Net carrying amount		
Balance as at 1 January	3,465	654
Exchange differences on opening balance	(1)	(2)
Depreciation expense	(743)	(881)
Lease term modification	-	3,694
Amounts reflected in the statement of profit or loss and other comprehensive income	(744)	2,811
Balance as at 31 December	**2,721**	**3,465**

11 INVESTMENTS

	2023 $'000	2022 $'000
Insurance activities, at fair value:		
Fixed interest securities	**760,036**	**788,833**
Of which is held as reinsurance collateral from General Reinsurance Corporation	94,140	82,854

12 CURRENT TAX ASSET

The current tax asset relates to PAYG income tax instalments made on behalf of the MEC Group. The income tax instalments are determined based on the prior year income tax return lodged. Instalments were paid with the expectation of profits resulting in a taxable income.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

13 REINSURANCE CONTRACTS

	2023 $'000	Restated 2022 $'000
Carrying value of:		
Gross		
Reinsurance contract liabilities	547,857	518,427
Reinsurance contract assets	(3,295)	(984)
Total gross reinsurance contracts	**544,562**	**517,443**
Retroceded		
Reinsurance contract assets	181,037	154,237
Reinsurance contract liabilities	(223)	(660)
Total retroceded reinsurance contracts	**180,814**	**153,577**

Reconciliation of reinsurance contracts by remaining coverage and incurred claims

Gross	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
2023	$'000	$'000	$'000	$'000
Reinsurance contract liabilities	22,548	5,177	490,702	518,427
Reinsurance contract assets	(1,066)	-	82	(984)
Balance as at 1 January	**21,482**	**5,177**	**490,784**	**517,443**
Insurance revenue	(253,292)	-	-	(253,292)
Insurance service expense				
Incurred claims and other expenses	4,832	(7,368)	261,073	258,537
Losses and reversals of losses on onerous contracts	-	4,961	-	4,961
Changes to liabilities for incurred claims	-	-	(77,362)	(77,362)
Insurance service expense	4,832	(2,407)	183,711	186,136
Insurance service result	**(248,460)**	**(2,407)**	**183,711**	**(67,156)**
Net finance expenses from gross reinsurance contracts issued				
Investment components	(10,041)	-	9,700	(341)
Insurance finance income or expenses from insurance contracts recognised in profit or loss	2,349	295	17,717	20,361
Effect of movements in exchange rates	(315)	3	(1,625)	(1,937)
Net finance expenses from gross reinsurance contracts issued	**(8,007)**	**298**	**25,792**	**18,083**
Total changes in the statement of profit or loss	**(256,467)**	**(2,109)**	**209,503**	**(49,073)**
Cash flows				
Premiums received	237,455	-	-	237,455
Claims and other expenses paid	(4,832)	-	(156,431)	(161,263)
Total cash flows	**232,623**	**-**	**(156,431)**	**76,192**
Other movements	-	-	-	-
Balance as at 31 December	**(2,362)**	**3,068**	**543,856**	**544,562**
Reinsurance contract liabilities	8,728	3,068	536,061	547,857
Reinsurance contract assets	(11,090)	-	7,795	(3,295)
Balance as at 31 December	**(2,362)**	**3,068**	**543,856**	**544,562**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

13 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	24,366	9,601	504,457	538,424
Reinsurance contract assets	-	-	-	-
Balance as at 1 January	**24,366**	**9,601**	**504,457**	**538,424**
Insurance revenue	(157,416)	-	-	(157,416)
Insurance service expense				
Incurred claims and other expenses	4,270	(10,652)	104,280	97,898
Losses and reversals of losses on onerous contracts	-	6,147	-	6,147
Changes to liabilities for incurred claims	-	-	(16,485)	(16,485)
Insurance service expense	4,270	(4,505)	87,795	87,560
Insurance service result	**(153,146)**	**(4,505)**	**87,795**	**(69,856)**
Net finance expenses from gross reinsurance contracts issued				
Investment components	(3,927)	-	3,827	(100)
Insurance finance income or expenses from insurance contracts recognised in profit or loss	(878)	66	(26,057)	(26,869)
Effect of movements in exchange rates	(213)	15	(650)	(848)
Net finance expenses from gross reinsurance contracts issued	**(5,018)**	**81**	**(22,880)**	**(27,817)**
Total changes in the statement of profit or loss	**(158,164)**	**(4,424)**	**64,915**	**(97,673)**
Cash flows				
Premiums received	159,550	-	-	159,550
Claims and other expenses paid	(4,270)	-	(78,588)	(82,858)
Total cash flows	**155,280**	**-**	**(78,588)**	**76,692**
Other movements	-	-	-	-
Balance as at 31 December	**21,482**	**5,177**	**490,784**	**517,443**
Reinsurance contract liabilities	22,548	5,177	490,702	518,427
Reinsurance contract assets	(1,066)	-	82	(984)
Balance as at 31 December	**21,482**	**5,177**	**490,784**	**517,443**

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

13 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	8,428	4,048	141,761	154,237
Reinsurance contract liabilities	(1,275)	-	615	(660)
Balance as at 1 January	**7,153**	**4,048**	**142,376**	**153,577**
Allocation of reinsurance premiums: amounts relating to the changes in the assets for remaining coverage	(101,625)	(216)	-	(101,841)
Amounts recoverable from reinsurers				
Amounts recoverable for claims and other expenses incurred in the period	-	-	94,405	94,405
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	**-**	**-**	**94,405**	**94,405**
Net income or expense from retroceded reinsurance contracts	**(101,625)**	**(216)**	**94,405**	**(7,436)**
Net finance income from retroceded reinsurance contracts held				
Reinsurance investment components	-	-	-	-
Effect of changes in non-performance risk of reinsurers	(22)	-	361	339
Cost of retroactive cover on retroceded reinsurance contracts	-	-	-	-
Reinsurance finance income	1,278	-	5,218	6,496
Effect of movements in exchange rates	363	(12)	(535)	(184)
Net finance income from retroceded reinsurance contracts held	**1,619**	**(12)**	**5,044**	**6,651**
Total changes in the statement of profit or loss	**(100,006)**	**(228)**	**99,449**	**(785)**
Cash flows				
Premiums paid	92,340	-	-	92,340
Amounts received	-	-	(64,318)	(64,318)
Total cash flows	**92,340**	**-**	**(64,318)**	**28,022**
Other movements	-	-	-	-
Balance as at 31 December	**(513)**	**3,820**	**177,507**	**180,814**
Reinsurance contract assets	1,750	3,785	175,502	181,037
Reinsurance contract liabilities	(2,263)	35	2,005	(223)
Balance as at 31 December	**(513)**	**3,820**	**177,507**	**180,814**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

13 REINSURANCE CONTRACTS (continued)

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

Retroceded (continued)	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
2022	**$'000**	**$'000**	**$'000**	**$'000**
Reinsurance contract assets	10,544	7,391	148,578	166,513
Reinsurance contract liabilities	-	-	-	-
Balance as at 1 January	**10,544**	**7,391**	**148,578**	**166,513**
Allocation of reinsurance premiums: amounts relating to the changes in the assets for remaining coverage	(75,817)	(3,349)	-	(79,166)
Amounts recoverable from reinsurers				
Amounts recoverable for claims and other expenses incurred in the period	-	-	38,062	38,062
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	**-**	**-**	**38,062**	**38,062**
Net income or expense from retroceded reinsurance contracts	**(75,817)**	**(3,349)**	**38,062**	**(41,104)**
Net finance income from retroceded reinsurance contracts held				
Reinsurance Investment components	-	-	-	-
Effect of changes in non-performance risk of reinsurers	24	-	708	732
Cost of retroactive cover on retroceded reinsurance contracts	-	-	-	-
Reinsurance finance income	(697)	-	(6,869)	(7,566)
Effect of movements in exchange rates	159	6	(416)	(251)
Net finance income from retroceded reinsurance contracts held	**(514)**	**6**	**(6,577)**	**(7,085)**
Total changes in the statement of profit or loss	**(76,331)**	**(3,343)**	**31,485**	**(48,189)**
	-	-	-	-
Cash flows				
Premiums paid	72,940	-	-	72,940
Amounts received	-	-	(37,687)	(37,687)
Total cash flows	**72,940**	**-**	**(37,687)**	**35,253**
Other movements	-	-	-	-
Balance as at 31 December	**7,153**	**4,048**	**142,376**	**153,577**
Reinsurance contract assets	8,428	4,048	141,761	154,237
Reinsurance contract liabilities	(1,275)	-	615	(660)
Balance as at 31 December	**7,153**	**4,048**	**142,376**	**153,577**

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

13 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	419,088	82,134	17,205	518,427
Reinsurance contract assets	(1,130)	27	119	(984)
Balance as at 1 January	**417,958**	**82,161**	**17,324**	**517,443**
Changes that relate to current services				
CSM recognised for services provided	-	-	(34,609)	(34,609)
Risk adjustment recognised for the risk expired	-	(21,592)	-	(21,592)
Experience adjustments	94,020	-	-	94,020
Changes that relate to current services	94,020	(21,592)	(34,609)	37,819
Changes that relate to future services				
Contracts initially recognised in the period	(84,775)	39,441	50,806	5,472
Changes in estimates that adjust the CSM	7,319	2,400	(9,651)	68
Changes in estimates that do not adjust the CSM	(4,648)	(220)	1,218	(3,650)
Changes that relate to future services	(82,104)	41,621	42,373	1,890
Changes that relate to past services				
Adjustments to liabilities for incurred claims	(97,710)	(9,496)	-	(107,206)
Changes that relate to past services	(97,710)	(9,496)	-	(107,206)
Insurance service result	**(85,794)**	**10,533**	**7,764**	**(67,497)**
Insurance finance income or expenses from insurance contracts recognised in profit or loss	14,510	3,816	2,035	20,361
Effect of movements in exchange rates	(1,629)	(334)	26	(1,937)
Total changes in the statement of profit or loss	**(72,913)**	**14,015**	**9,825**	**(49,073)**
Cash flows				
Premiums received	237,455	-	-	237,455
Claims and other expenses paid	(161,262)	-	-	(161,262)
Total cash flows	76,193	-	-	76,193
Other movements	-	-	-	-
Balance as at 31 December	**421,237**	**96,176**	**27,149**	**544,562**
Reinsurance contract liabilities	426,232	95,116	26,509	547,857
Reinsurance contract assets	(4,995)	1,060	640	(3,295)
Balance as at 31 December	**421,237**	**96,176**	**27,149**	**544,562**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

13 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	432,271	91,964	14,189	538,424
Reinsurance contract assets	-	-	-	-
Balance as at 1 January	**432,271**	**91,964**	**14,189**	**538,424**
Changes that relate to current services				
CSM recognised for services provided	-	-	(25,640)	(25,640)
Risk adjustment recognised for the risk expired	-	(17,657)	-	(17,657)
Experience adjustments	16,919	-	-	16,919
Changes that relate to current services	16,919	(17,657)	(25,640)	(26,378)
Changes that relate to future services				
Contracts initially recognised in the period	(50,949)	23,813	30,382	3,246
Changes in estimates that adjust the CSM	1,836	339	(2,159)	16
Changes in estimates that do not adjust the CSM	(946)	476	242	(228)
Changes that relate to future services	(50,059)	24,628	28,465	3,034
Changes that relate to past services				
Adjustments to liabilities for incurred claims	(33,619)	(12,993)	-	(46,612)
Changes that relate to past services	(33,619)	(12,993)	-	(46,612)
Insurance service result	**(66,759)**	**(6,022)**	**2,825**	**(69,956)**
Insurance finance income or expenses from insurance contracts recognised in profit or loss	(23,393)	(3,748)	272	(26,869)
Effect of movements in exchange rates	(853)	(33)	38	(848)
Total changes in the statement of profit or loss	**(91,005)**	**(9,803)**	**3,135**	**(97,673)**
Cash flows				
Premiums received	159,550	-	-	159,550
Claims and other expenses paid	(82,858)	-	-	(82,858)
Total cash flows	76,692	-	-	76,692
Other movements	-	-	-	-
Balance as at 31 December	**417,958**	**82,161**	**17,324**	**517,443**
Reinsurance contract liabilities	419,088	82,134	17,205	518,427
Reinsurance contract assets	(1,130)	27	119	(984)
Balance as at 31 December	**417,958**	**82,161**	**17,324**	**517,443**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

13 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	127,464	25,688	1,085	154,237
Reinsurance contract liabilities	(972)	138	175	(659)
Balance as at 1 January	**126,492**	**25,826**	**1,260**	**153,578**
Changes that relate to current services				
CSM recognised for services provided	-	-	912	912
Risk adjustment recognised for the risk expired	-	(10,272)	-	(10,272)
Experience adjustments	31,612	-	-	31,612
Changes that relate to current services	31,612	(10,272)	912	22,252
Changes that relate to future services				
Contracts initially recognised in the period	(25,696)	18,515	11,526	4,345
Changes in estimates that adjust the CSM	11,841	814	(14,204)	(1,549)
Changes in estimates that do not adjust the CSM	3	-	-	3
Changes that relate to future services	(13,852)	19,329	(2,678)	2,799
Changes that relate to past services				
Changes in amounts recoverable arising from changes in liability for incurred claims	(29,119)	(3,369)	-	(32,488)
Changes that relate to past services	(29,119)	(3,369)	-	(32,488)
Reinsurance finance income	4,285	1,587	623	6,495
Effect of changes in non-performance risk of reinsurers	339	-	-	339
Effect of movements in exchange rates	(138)	(97)	52	(183)
Total changes in the statement of profit or loss	**(6,873)**	**7,178**	**(1,091)**	**(786)**
Cash flows				
Premiums paid	92,341	-	-	92,341
Amounts received	(64,318)	-	-	(64,318)
Total cash flows	28,023	-	-	28,023
Other movements	-	-	-	-
Balance as at 31 December	**147,641**	**33,004**	**169**	**180,814**
Reinsurance contract assets	147,703	32,678	656	181,037
Reinsurance contract liabilities	(62)	326	(487)	(223)
Balance as at 31 December	**147,641**	**33,004**	**169**	**180,814**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

13 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	134,897	28,886	2,730	166,513
Reinsurance contract liabilities	-	-	-	-
Balance as at 1 January	**134,897**	**28,886**	**2,730**	**166,513**
Changes that relate to current services				
CSM recognised for services provided	-	-	1,933	1,933
Risk adjustment recognised for the risk expired	-	(10,572)	-	(10,572)
Experience adjustments	(18,507)	-	-	(18,507)
Changes that relate to current services	(18,507)	(10,572)	1,933	(27,146)
Changes that relate to future services				
Contracts initially recognised in the period	(16,505)	11,677	6,920	2,092
Changes in estimates that adjust the CSM	10,608	1,443	(10,510)	1,541
Changes in estimates that do not adjust the CSM	(57)	-	-	(57)
Changes that relate to future services	(5,954)	13,120	(3,590)	3,576
Changes that relate to past services				
Changes in amounts recoverable arising from changes in liability for incurred claims	(13,066)	(4,466)	-	(17,532)
Changes that relate to past services	(13,066)	(4,466)	-	(17,532)
Reinsurance finance income	(6,637)	(1,068)	140	(7,565)
Effect of changes in non-performance risk of reinsurers	732	-	-	732
Effect of movements in exchange rates	(225)	(73)	46	(252)
Total changes in the statement of profit or loss	**(43,657)**	**(3,059)**	**(1,471)**	**(48,187)**
Cash flows				
Premiums paid	72,939	-	-	72,939
Amounts received	(37,687)	-	-	(37,687)
Total cash flows	35,252	-	-	35,252
Other movements	-	-	-	-
Balance as at 31 December	**126,492**	**25,826**	**1,259**	**153,577**
Reinsurance contract assets	127,464	25,688	1,085	154,237
Reinsurance contract liabilities	(972)	138	174	(660)
Balance as at 31 December	**126,492**	**25,826**	**1,259**	**153,577**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

13 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 2023	Non-onerous $'000	Onerous $'000	Total $'000
Estimate of present value of future cash outflows	279,964	(28,467)	251,497
Estimates of present value of future cash inflows	(364,023)	29,183	(334,840)
Risk adjustment	33,253	(6,189)	27,064
CSM	50,806	-	50,806
Losses recognised on initial recognition	**-**	**(5,473)**	**(5,473)**
2022			
Estimate of present value of future cash outflows	62,838	(39,874)	22,964
Estimates of present value of future cash inflows	(109,405)	44,255	(65,150)
Risk adjustment	16,187	(7,627)	8,560
CSM	30,380	-	30,380
Losses recognised on initial recognition	**-**	**(3,246)**	**(3,246)**
Retroceded 2023			
Estimate of present value of future cash outflows	(133,971)	-	(133,971)
Estimates of present value of future cash inflows	159,661	-	159,661
Risk adjustment	(18,515)	-	(18,515)
CSM	(11,526)	-	(11,526)
Losses recognised on initial recognition	**(4,351)**	**-**	**(4,351)**
2022			
Estimate of present value of future cash outflows	(54,920)	-	(54,920)
Estimates of present value of future cash inflows	71,426	-	71,426
Risk adjustment	(11,677)	-	(11,677)
CSM	(6,920)	-	(6,920)
Losses recognised on initial recognition	**(2,090)**	**-**	**(2,090)**

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:

Gross reinsurance contracts issued	2023 $'000	2022 $'000
Not later than one year	15,564	7,651
Later than one year but not later than two years	6,249	4,768
Later than two years but not later than three years	3,243	3,725
Later than three years but not later than four years	1,530	1,133
Later than four years but not later than five years	191	29
Later than five years but not later than ten years	372	17
Later than ten years	-	-
	27,149	**17,323**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

13 REINSURANCE CONTRACTS (continued)

Contractual Service Margin (continued)

Retroceded reinsurance contracts held	2023 $'000	2022 $'000
Not later than one year	(2,302)	(1,120)
Later than one year but not later than two years	419	(49)
Later than two years but not later than three years	1,168	(46)
Later than three years but not later than four years	609	(35)
Later than four years but not later than five years	(21)	(9)
Later than five years but not later than ten years	(42)	-
Later than ten years	-	-
	(169)	**(1,259)**

Net undiscounted central estimate of ultimate claims

	2015 $M	2016 $M	2017 $M	2018 $M	2019 $M	2020 $M	2021 $M	2022 $M	2023 $M	**Total $M**
Estimate of net ultimate claims cost:										
At end of accident year	58	74	76	88	88	114	78	89	143	
One year later	45	63	69	79	93	93	75	80		
Two years later	38	65	65	64	80	81	74			
Three years later	34	61	63	57	76	77				
Four years later	32	53	62	53	71					
Five years later	31	54	62	51						
Six years later	34	53	61							
Seven years later	33	51								
Eight years later	34									
Current estimate of net cumulative claims	34	51	61	51	71	77	74	80	143	
Cumulative net payments	(22)	(44)	(51)	(38)	(51)	(45)	(42)	(36)	(18)	
Net undiscounted LIC (ex. Risk Adjustment)	**12**	**7**	**10**	**13**	**20**	**32**	**32**	**44**	**125**	**295**

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	25,287	21,714
Later than one year but not later than five years	68,962	45,046
Later than five years	34,242	26,254
	128,491	**93,014**

Retroceded reinsurance contracts held		
Not later than one year	23,663	10,876
Later than one year but not later than five years	36,924	21,330
Later than five years	8,664	6,169
	69,251	**38,375**

14 REINSURANCE FUNDS HELD

Reinsurance funds held	**86,921**	**79,669**

The company has a collateralised deed agreement with its parent relating to Retrocession recoverable on historical events. The interest income earned on this balance is an expense payable back to General Reinsurance Corporation.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

15 PROVISIONS

	Opening Balance $'000	Payments $'000	Provision $'000	Closing Balance $'000
Employee entitlements	1,746	(591)	441	**1,596**

Employee entitlements contains the provision for annual leave and long service leave and represents the present value of the best estimate of future expenses based on current employee records.

16 OTHER PAYABLES

	2023 $'000	2022 $'000
Sundry payables and accruals	14,356	8,843
Due to related entities:		
- General Reinsurance Corporation	4,732	9,539
- General Reinsurance Life Australia Ltd	9,724	12,856
	28,812	**31,238**

All balances are expected to be paid within 12 months.

17 LEASE LIABILITIES

	2023 $'000	2022 $'000
Balance as at 1 January	3,763	719
Exchange differences on opening balance	-	(7)
Interest expense	116	68
Payments	(561)	(711)
Lease term modification	-	3,694
Amounts reflected in the statement of profit or loss and other comprehensive income	**(445)**	**3,044**
Balance as at 31 December	**3,318**	**3,763**
Expected to be paid within 12 months	697	596
Expected to be paid in more than 12 months	2,621	3,167
	3,318	**3,763**
Maturity profile		
Not later than one year	697	596
Later than one year but not later than five years	2,621	2,722
Later than five years	-	445
	3,318	**3,763**

18 CONTRIBUTED EQUITY

	2023 $'000	2022 $'000
Ordinary shares fully paid	**132,245**	**132,245**

	2023 Number of shares	2022 Number of shares
Issued ordinary number of shares	**66,122,322**	**66,122,322**

Ordinary shares carry voting rights of 1 vote per share and carry the rights to dividends.

19 RELATED PARTIES

Parent and ultimate controlling entities

The immediate parent and ultimate controlling entity respectively are General Reinsurance Corporation and Berkshire Hathaway Inc., both incorporated in the United States of America.

Directors

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

Kathryn J McCann
Keith Scott
Stephen Ferguson
Andrew Gifford
Neal Mullen

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

19 RELATED PARTIES (continued)

	2023 $'000	2022 $'000
Related party balances (owing)/receivable at reporting date		
General Reinsurance AG	122	-
General Reinsurance Life Australia Ltd.	(9,724)	(12,856)
Immediate Parent:		
General Reinsurance Corporation	(33,822)	(28,090)
Management charges paid to related entities		
General Reinsurance AG	(1,856)	(1,389)
GRF Services	(28)	(1,034)
New England Asset Management, Inc.	(1,209)	(403)
Ultimate Parent:		
General Reinsurance Corporation	(4,914)	(3,001)
Management charges received from related entities		
General Reinsurance AG	310	-
General Reinsurance Life Australia Ltd.	4,623	2,689

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.

Related party: General Reinsurance Corporation

	2023 $'000	2022 $'000
Retrocession premiums for the financial year	(140,665)	(83,063)
Claim recoveries for the financial year	63,657	37,881
Reinsurance recoverable on paid losses at 31 December	-	-
Reinsurance recoverable on unpaid losses at 31 December	192,222	152,160
Reinsurance funds held at 31 December *	(86,921)	(79,669)

* The company has entered into a collateralised deed agreement with General Reinsurance Corporation. Under this deed, Retrocession recoverable relating to events which have passed the second balance period since the date of loss are fully collateralised.

Intercompany balances, other than the collateralised funds held, are at no interest and are due on demand.

20 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of net operating cash flows to net profit

	2023 $'000	2022 $'000
Net profit	41,600	22,006
Depreciation	124	40
Unrealised foreign exchange (gain)/loss on cash balances	(336)	113
Profit on sale of investments	1,783	1,196
Unrealised exchange variance on investments	728	552
Unrealised movement in fair value of investments and amortisation	(16,893)	24,919
Finance costs	117	69
Change in operating assets and liabilities		
Decrease in net reinsurance contracts	(118)	(8,046)
Increase in other assets	(10,417)	(4,642)
Increase in reinsurance funds held	7,252	7,406
(Decrease)/increase in payables and provision	(2,578)	11,766
Movement in tax accounts	(31,492)	(4,523)
Net cash (used)/provided by operating activities	**(10,230)**	**50,856**

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

21 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, except for related party transactions.

(b) Interest Rate Risk

The company'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).

(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 company approximates to their carrying value. The net fair value of other monetary financial assets and financial liabilities is based upon market prices.

(d) Material accounting policies

Details of the material 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, financial liability are disclosed in note 1 of the financial statements.

(e) Capital risk management

The company manages its capital to ensure that on a legal entity level it meets regulatory solvency requirements and it will continue operating as a going concern.

The capital structure of the company consists of cash and cash equivalents (as disclosed in Note 7) and equity, comprising issued capital and retained earnings (as disclosed in the Statement of Changes in Equity).

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.

(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	11	760,036	788,833
Amortised cost			
Cash and cash equivalents	7	45,762	41,496
Other receivables	8	23,670	10,556
Financial liabilities			
Amortised cost			
Trade creditors and other payables	16	14,356	8,843
Due to related parties	16	14,456	22,395

(i) Financial assets carried at fair value through profit or loss. 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 company. 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 company have developed, implemented and maintain a sound and prudent RMS and a REMS. The RMS and REMS 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 certifies to APRA that adequate strategies have been put in place to monitor those risks, that the company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to compliance with the RMS and REMS.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

21 FINANCIAL INSTRUMENTS (continued)

(h) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company 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 company's overall strategy in respect of credit risk management remains unchanged from 2022.

(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 company's short, medium and long-term funding and liquidity management requirements. The company 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. As required by APRA Prudential Standard CPS 220, 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 company'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.

(i) Liquidity risk (continued)

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					
Interest bearing:					
Reinsurance funds held	4.34	86,921	-	-	86,921
Non-interest bearing:					
Payables		28,812	-	-	28,812
Employee entitlements		796	-	799	1,595
		116,529	**-**	**799**	**117,328**
2022					
Financial liabilities					
Interest bearing:					
Reinsurance funds held	1.92	79,669	-	-	79,669
Non-interest bearing:					
Payables		47,080	-	-	47,080
Employee entitlements		875	-	793	1,668
		127,624	**-**	**868**	**128,417**

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

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

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

21 FINANCIAL INSTRUMENTS (continued)

(j) Market risk (continued)

Interest rate risk management (continued)

	Weighted average interest rate	Less than 1 year	1-5 years	5+ years	Total
2023	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Non-interest bearing:					
Receivables	-		-	-	-
Other receivables	-	23,670	-	-	23,670
Variable interest rate instruments:					
Cash	4.21	794	-	-	794
Fixed interest rate instruments:					
Australian Sovereigns	4.00	621,479	42,784	-	664,263
New Zealand Sovereigns	5.27	67,280	28,493	-	95,773
Regional- State	-	-	-	-	-
Government Guaranteed	-	-	-	-	-
Corporates	-	-	-	-	-
		713,222	**71,277**	**-**	**784,499**

2022	Weighted average interest rate	Less than 1 year	1-5 years	5+ years	Total
Non-interest bearing:					
Receivables	-	55,768	-	-	55,768
Other receivables	-	1,135	-	-	1,135
Variable interest rate instruments:					
Cash	3.30	574	-	-	574
Fixed interest rate instruments:					
Australian Sovereigns	3.35	158,396	533,956	-	692,352
New Zealand Sovereigns	5.00	24,578	71,903	-	96,481
Regional- State	-	-	-	-	-
Government Guaranteed	-	-	-	-	-
Corporates	-	-	-	-	-
		240,451	**369,494**	**-**	**846,310**

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

	+100bps $'000		-100bps $'000	
	2023	**2022**	**2023**	**2022**
Effect of 100 basis point increase or decrease on profit (+/-)	(5,235)	(9,949)	5,310	10,155

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 company is mainly exposed to fluctuations in the New Zealand dollar (NZD) exchange rate through its branch in New Zealand. The company's financial assets are primarily denominated in the same currencies as its reinsurance contract liabilities, which mitigates the foreign currency exchange risk for the overseas operations in New Zealand. The company's overall strategy in respect of foreign currency risk management remains unchanged from 2022.

The carrying amount of the company's foreign currency denominated monetary assets and monetary liabilities in Australian dollars at the reporting date is as follows:

	Net Liabilities	
	2023	**2022**
	$'000	**$'000**
New Zealand dollar	24,070	21,523
Japanese Yen	(4,415)	(3,849)

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

21 FINANCIAL INSTRUMENTS (continued)

(j) Market risk (continued)

Foreign currency sensitivity

The following table details the company's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to management and represents their assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign exchange rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity when the Australian dollar strengthens against the respective currency.

	10% increase impact on Profit or Loss		10% decrease impact on Profit or Loss	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Liabilities				
New Zealand dollar	2,407	2,152	(2,407)	(2,152)
Japanese Yen	(442)	(385)	442	385

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 company'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 realised 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 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

21 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 are summarised 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				
Australian and New Zealand Governments	760,036	-	-	760,036
	760,036	**-**	**-**	**760,036**

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				
Australian and New Zealand Governments	788,833	-	-	788,833
	788,833	**-**	**-**	**788,833**

22 APRA CAPITAL ADEQUACY

The following information refers to APRA's capital adequacy requirements.

	2023 $'000	2022 $'000
Capital base/Common Equity Tier 1 Capital		
Net assets	387,566	374,692
Premium liability surplus/(deficit)	(40,107)	938
Accounts receivables/(payables)	53,367	-
Deferred tax assets	(6,737)	(8,781)
Reinsurance assets receivable not meeting governing law requirements	(127)	(92)
	393,962	**366,757**
Prescribed Capital Amount (PCA)		
Insurance Risk Charge	81,146	67,623
Insurance Concentration Risk Charge	49,299	42,000
Asset Risk Charge	21,326	18,968
Operational Risk Charge	10,087	6,732
Less: Aggregation Benefit	(15,450)	(13,662)
	146,408	**121,661**
Capital in excess of PCA	**247,554**	**245,096**
PCA coverage ratio	**2.6909**	**3.0146**

General Reinsurance Australia Ltd. has an "AA+" credit rating from Standard and Poor's as at 31 December 2023.

The company has complied with all externally imposed capital requirements throughout the year.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

23 KEY MANAGEMENT PERSONNEL REMUNERATION

	2023 $'000	2022 $'000
The compensation of the specified Directors and specified executives, being the key management personnel of the company, is set out below:		
Short-term employee benefits	1,112	938
Other long-term benefits	-	16
	1,112	**954**

24 RECONCILIATION OF US-GAAP BALANCES TO AUSTRALIAN IFRS (A-IFRS)

In accordance with US Accounting Standard SSAP 97 (Investments in Subsidiary, Controlled, and Affiliated Entities), a reconciliation is required between US-GAAP accounting results and those required in the local jurisdiction. The information below reconciles the company's results after tax and net assets based on A-IFRS to the US-GAAP accounting results.

	2023 $'000	Restated 2022 $'000
US-GAAP profit after tax	29,366	10,553
Adjustment items:		
Market Value adjustment in respect of investments held to maturity	7,179	(12,839)
Movement in currency translation adjustment	(1,033)	(1,309)
Claims reserve discounting and risk margin	6,807	26,070
Non-attributable management expenses	4,824	4,268
Lease right-of-use asset and liability	(97)	28
Tax adjustments on items above	(5,446)	(4,766)
A-IFRS profit after tax	41,600	22,006
US-GAAP Net Assets*	395,046	386,533
Adjustment items:		
Gross reinsurance contract assets	(89,445)	(11,833)
Gross reinsurance contract liabilities	87,671	11,992
Retroceded reinsurance contract assets	(15,382)	(23,448)
Retroceded reinsurance contract liabilities	(222)	(660)
Lease right-of-use asset and liability	(133)	(37)
Tax adjustments on items above	10,031	9,319
Net assets per A-IFRS	**387,566**	**371,866**

* The above reconciliation table was omitted in the financial report issued on 26 March 2024. This financial report supersedes the financial report signed by the Directors on 26 March 2024 and lodged with ASIC on 5 April 2024. There have been no other amendments to the re-issued financial report.

25 ADDITIONAL COMPANY INFORMATION

Principal Place of Business and Registered Office

Level 20
1 O'Connell Street
SYDNEY 2000

Number of Employees

At 31 December 2023 the company had 41 employees (2022: 38).

Type of Company

The company operates as a for profit unlisted public company.

26 EVENTS SUBSEQUENT TO BALANCE DATE

There were no events subsequent to balance date requiring disclosure.

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(b) in the Directors' opinion, the attached financial statements and notes thereto are prepared in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and the performance of the entity.

(c) in the Directors' opinion, the financial statements and notes thereto are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the Corporations Act 2001 on 14 June 2024.

On behalf of the directors:

Kate McCann

K. J. McCann
Chair

N. Mullen
Managing Director

Sydney, 14 June 2024

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Independent Auditor's Report to the Members of General Reinsurance Australia Ltd.

Opinion

We have audited the financial report of General Reinsurance Australia Ltd. (the "Company") which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Company's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Director's Report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

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

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte.

Other matter

Re-issuance of Financial Report

Without qualifying our opinion, we draw attention to Note 24 in the financial report. As indicated in Note 24, the attached financial report has been re-issued, and supersedes the financial report signed by the Directors on 26 March 2024 and lodged with ASIC on 5 April 2024. This audit report supersedes our audit report dated 26 March 2024 relating to the previously issued financial report and now superseded financial report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Gaudreault

David Gaudreault
Partner
Chartered Accountants

Sydney, 14 June 2024

The people behind the promise®

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