



**General Reinsurance
Australia Ltd.**
New Zealand Branch

**Financial Report
for the Financial Year ended
31 December 2024**

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DIRECTORS' REPORT

The Directors present their report together with the annual financial report for the financial year ended 31 December 2024 and the auditor's report thereon. The New Zealand Branch (the branch) is a foreign operation of General Reinsurance Australia Ltd. (the company) incorporated in Australia.

Directors

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

Kathryn J McCann (commenced as Chairperson 19 August 2016)
 Keith Scott (commenced 1 January 2017, 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 34 years' experience in the finance and business management industry. She is a director of 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 23 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 31 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 24 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 Committee
 - Member of Board Audit Committee

Mr Walsh's executive experience over a period of 31 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

Andrew Gifford
B.A., JD

Experience and special responsibilities

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 2024 are:

Director	Directors' Meetings		Board Audit Committee		Board Remuneration Committee		Board Risk Committee	
	A	B	A	B	A	B	A	B
Kathryn J McCann	4	4	4	4	5	5	4	4
Keith Scott	2	2	2	2	2	2	2	2
Stephen Ferguson	4	4	4	4	5	5	4	4
Andrew Gifford	4	4	4	4	5	5	4	4
Neal Mullen	4	4	4	4	5	5	4	4
Ben Walsh	3	2	3	2	3	2	3	2

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

Nicholas Thayer
B.Com, CA

Experience and special responsibilities

Mr Thayer has been employed by Gen Re for 18 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 4 years. He is currently the Chief Risk and Compliance Officer for Australia and New Zealand. Prior to joining Gen Re, he worked in various risk and compliance roles within the financial services industry in Sydney, London and in Germany.

Principal activities

The principal activity of the branch is reinsurance underwriting.

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

DIRECTORS' REPORT (continued)

Review of operations

Operating Results

The net profit of the branch for the year, after provision for income tax, amounted to \$11,967,000 compared with the 2023 net profit of \$3,914,000.

State of affairs

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

Events subsequent to balance date

In the interval between the end of the financial year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the 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 branch that require comment in this report other than the comments made under the Review of Operations. The directors do not consider there are any likely developments which will impact the operations of the branch.

Environmental regulation

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

Disclosures

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

Acknowledgements

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

Approval

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

On behalf of the Directors:



K. J. McCann
Chair



N. Mullen
Managing Director

Sydney, 25 March 2025

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

	Note	2024 \$'000	2023 \$'000
Insurance revenue	11	66,471	44,991
Insurance service expenses	11	(7,198)	(52,589)
Insurance service result from gross reinsurance contracts issued		59,273	(7,598)
Allocation of retroceded reinsurance premiums	11	(38,580)	(28,367)
Amounts recovered for reinsurers for claims incurred	11	(6,573)	40,473
Net expense from retroceded reinsurance contracts held		(45,153)	12,106
Insurance service result		14,120	4,508
Interest income		5,241	4,205
Net investment gain/(loss)		1,606	363
Investment expenses		(61)	(67)
Net investment income/(expense)	5(b)	6,786	4,501
Net finance expenses from gross reinsurance contracts issued	11	(5,715)	(3,338)
Net finance income from retroceded reinsurance contracts held	11	1,959	1,886
Net insurance finance (expense)/income		(3,756)	(1,452)
Other income and expense	5(a)	(535)	(2,191)
Profit before income tax		16,615	5,366
Income tax expense	6(a)	(4,648)	(1,452)
Profit after income tax		11,967	3,914

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 2024

For the financial year ended 31 December 2024	Head Office Account	Retained Earnings	Total
	\$'000	\$'000	\$'000
Balance at 1 January 2024	10,000	56,347	66,347
Total comprehensive income for the year	-	11,967	11,967
Balance at 31 December 2024	10,000	68,314	78,314

For the financial year ended 31 December 2023	Head Office Account	Retained Earnings	Total
	\$'000	\$'000	\$'000
Balance at 1 January 2023	10,000	52,433	62,433
Total comprehensive income for the year	-	3,914	3,914
Balance at 31 December 2023	10,000	56,347	66,347

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 2024

	Note	2024 \$'000	2023 \$'000
Assets			
Cash and cash equivalents	7	18,147	13,269
Investments	9	102,691	75,571
Other assets	8	26,014	28,008
Gross reinsurance contract assets	11	3,153	1,976
Retroceded reinsurance contract assets	11	39,430	64,576
Current tax assets		-	1,621
Deferred tax assets	6(b)	3,473	158
Right-of-use assets	10	46	89
Total assets		192,954	185,268
Liabilities			
Gross reinsurance contract liabilities	11	99,267	117,264
Retroceded reinsurance contract liabilities	11	656	148
Other payables	13	11,596	1,345
Lease liabilities	14	55	103
Provisions	12	62	61
Current tax liabilities		3,004	-
Total liabilities		114,640	118,921
Net assets		78,314	66,347
Equity			
Head Office Account	15	10,000	10,000
Retained earnings		68,314	56,347
Total equity		78,314	66,347

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 2024

	Note	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Premiums received		62,745	44,753
Retroceded reinsurance paid		(34,924)	(29,511)
Claims paid		(26,587)	(24,776)
Reinsurance recoveries received		17,384	14,125
Other payments from/(to) employees, suppliers, and related parties		8,133	(13,541)
Interest received		5,161	4,044
Investment expenses paid		(61)	(67)
Income tax paid		(3,338)	(4,105)
Net cash provided by/(used in) operating activities	17	28,513	(9,078)
Cash flows from investing activities			
Payments for purchase of investments		(79,500)	(40,410)
Proceeds from sale/maturity of investments		55,915	45,061
Net cash (used in)/provided by investing activities		(23,585)	4,651
Cash flows from financing activities			
Payments for lease liabilities		(50)	(43)
Net cash used in financing activities		(50)	(43)
Net increase/(decrease) in cash and cash equivalents during the financial year		4,878	(4,470)
Cash and cash equivalents at beginning of financial year		13,269	17,739
Cash and cash equivalents at end of financial year	7	18,147	13,269

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 2024

1 SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

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

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

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

The accounting policies below have been applied in preparing the financial statements for the financial year ended 31 December 2024 and comparative information presented in these financial statements for the financial year ended 31 December 2023.

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

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

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

The financial statements were authorised for issue by the Directors on 25 March 2025.

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 NZ IFRS.

Prior period reclassifications

Notes within the financial statements required amendment for prior year comparatives (2023). These amendments have not resulted in changes in net profit, net assets and net cash flow.

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

Level of aggregation

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

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(a) Reinsurance contracts issued (continued)

Level of aggregation (continued)

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

Recognition

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

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

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

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

Contract boundary

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

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

Measurement of reinsurance contracts issued - general measurement model

Reinsurance contracts issued – initial measurement

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

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

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

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

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

The 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 NZD and for these payments, discount rates are based on New Zealand Government securities.

The branch 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 branch 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.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(a) Reinsurance contracts issued (continued)

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

Reinsurance contracts issued – initial measurement (continued)

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

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

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

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

The liability for incurred claims is the company's obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses. At initial recognition of a group of reinsurance contracts, the liability for incurred claims is usually nil as no insured events have occurred.

Reinsurance contracts issued – subsequent measurement

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

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

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

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

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM.
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM).
- Changes in the risk adjustment for non-financial risk that relate to future service.

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

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

Presentation

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

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(a) Reinsurance contracts issued (continued)

Presentation (continued)

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

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

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

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

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 branch expects to be entitled in exchange for those services. Insurance revenue from a group of reinsurance contracts is therefore the relevant portion for the period of the total consideration for the contracts. The total consideration for a group of reinsurance contracts covers amounts related to the provision of services and is comprised of:

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

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

Loss components

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

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

Insurance finance income and expense

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

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

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

Net income or expense from reinsurance contracts held

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

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

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

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 fair value through profit or loss ('FVPL'), transaction costs are added to this amount.

Measurement categories

The branch classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following: amortised cost, fair value through other comprehensive income ('FVOCI') or FVPL. At 31 December 2024, the company did not hold any assets classified FVOCI.

Financial instruments measured at amortised cost

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

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

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

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

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

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

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

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

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

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

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

Financial assets measured at fair value through profit or loss

The branch's investments are required to be measured at fair value through profit or loss, with all investments managed and assessed on a fair value basis to optimise returns within risk appetites and investment strategy parameters and limits. They are therefore initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and are remeasured to fair value through profit or loss at each reporting date. The election of measuring investments at fair value at initial recognition is to eliminate any accounting mismatch between the investments and 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 2024

1 SUMMARY OF ACCOUNTING POLICIES (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) Foreign currency

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

(e) 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.

(f) Accounts payable

These amounts represent liabilities for goods and services provided to the branch 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.

(g) Provision for employment entitlements

Provisions are recognised when the branch 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.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(h) Superannuation

The branch 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.

(i) 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.

(j) Leases

Branch as a lessee

The branch applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The branch 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 branch 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
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If ownership of the leased asset transfers to the branch 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 branch 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 branch and payments of penalties for terminating the lease, if the lease term reflects the branch 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 branch 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 branch 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.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

1 SUMMARY OF ACCOUNTING POLICIES (continued)

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

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

<u>Standard</u>	<u>Effective for annual reporting periods beginning on or after</u>	<u>Expected to be initially applied in the financial year ending</u>
Amendments to NZ IAS 7 'The Effects of Changes in Foreign Exchange Rates' and NZ IFRS 1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards'	1 January 2025	31 December 2025
NZ IFRS 18 'Presentation and Disclosure in Financial Statements'	1 January 2027	31 December 2027
Amendments to NZ IFRS 9 'Financial Instruments' and NZ IFRS 7 'NZ IFRS 7 Financial Instruments: Disclosures'	1 January 2026	31 December 2026
Annual Improvements to NZ IFRS Accounting Standards 2024	1 January 2026	31 December 2026

Amendments to NZ IAS 7 'The Effects of Changes in Foreign Exchange Rates' and NZ IFRS 1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards'

Amends NZ IAS 7 'The Effects of Changes in Foreign Exchange Rates' and NZ IFRS 1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards' to improve the usefulness of information provided to users of financial statements. The amendments require entities to apply a consistent approach to determining whether a currency is exchangeable into another currency and the spot exchange rate to use when it is not exchangeable.

The amendments are not expected to have a material impact on the branch's financial statements.

NZ IFRS 18 'Presentation and Disclosure in Financial Statements'

NZ IFRS 18 replaces NZ IAS 1 as the standard describing the primary financial statements and sets out requirements for the presentation and disclosure of information in NZ IFRS-compliant financial statements. Amongst other changes, it introduces the concept of the "management-defined performance measure" to financial statements and requires the classification of transactions presented within the statement of profit or loss within one of five categories – operating, investing, financing, income taxes, and discontinued operations. It also provides enhanced requirements for the aggregation and disaggregation of information.

The impact on the branch's financial statements is being assessed.

Amendments to NZ IFRS 9 'Financial Instruments' and NZ IFRS 7 'NZ IFRS 7 Financial Instruments: Disclosures'

Amends NZ IFRS 9 'Financial Instruments' to introduce an option to derecognise financial liabilities settled through electronic transfer before the settlement date, clarifies how contractual cash flows should be assessed for financial assets with environmental, social and governance (ESG) and similar features, includes additional guidance in respect of non-recourse features and contractually linked instruments and amends specific disclosure requirements.

The impact on the company's financial statements is being assessed.

Annual Improvements to NZ IFRS Accounting Standards 2024

The amendments were issued by the NZASB to address minor inconsistencies, lack of clarity and errors across a number of standards.

The amendments are not expected to have a material impact on the company's financial statements.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(l) Accounting standards and interpretations initially adopted

Amendments to NZ IAS 1 "Classification of Liabilities as Current or Non-current"

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

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

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

These amendments have not had any material impact on the branch's financial position or its financial statements.

(m) Climate-related matters

The branch considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the branch due to both physical and transition risks. Even though the branch believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the branch is closely monitoring relevant changes and developments, such as new climate-related legislation.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

By applying NZ IFRS 17 to measurement of reinsurance contracts issued and retroceded reinsurance contracts held, the branch 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 branch 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 branch 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 NZD and for these payments, discount rates are based on New Zealand Government securities.

The branch 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 branch 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 branch-specific price for bearing that risk and reflects the degree of the branch's risk aversion. The branch's treatment of risk adjustment is explained in Note 3.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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. All reinsurance contracts are with the parent company and the recoverability of such assets is not considered to be impaired by any counterparty or credit risk.

Determining the lease term of contracts with renewal and termination options

The branch determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The branch's lease contract includes extension and termination options. The branch applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the branch reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Leases - Estimating the incremental borrowing rate

The branch cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the branch 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The branch estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

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.

3 ACTUARIAL ASSUMPTIONS AND METHODS

This section outlines the methods and assumptions used to derive the branch's insurance liabilities. The branch's estimate of NZ IFRS 17 liabilities is consistent with the Appointed Actuary's assumptions used for the Reserve Bank of New Zealand ('RBNZ') insurance liabilities, specifically key assumptions to derive the Liability for Incurred Claims ('LIC') and the risk adjustment assumptions.

The branch values the policy liabilities for each group of insurance contracts using the General Measurement Model ('GMM') as required under NZ IFRS 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 LIC.

The LRC consists of the Fulfilment Cash Flows, 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 branch. These cashflows are those directly related to the fulfilment of the branch's insurance contracts and include estimates for future written business.
- **Risk Adjustment ('RA')**: NZ IFRS 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 the initial recognition of a contract, the Contractual Services Margin is defined as the net difference between the fulfilment and risk adjustment cash inflows and outflows. For gross reinsurance contracts, a liability-balance CSM represents unearned profits that are deferred into future periods. AASB 17 coverage units are used to allocate profits between the past, current and future periods. Coverage units are a measure of the services provided reflecting the claims and expected coverage duration of a group of insurance contracts. If a contract is not expected to be profitable, it is deemed to be onerous, in which its CSM is and the net outflow is recognised immediately. The CSM's discount and foreign exchange rates are locked-in at the rates prevailing on inception.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACTUARIAL ASSUMPTIONS AND METHODS (continued)

The LIC consists of the case estimate reserve, Incurred But Not Reported claims ('IBNR'), and the Risk Adjustment. The case estimate and IBNR reserves are net of earned commission adjustments and reinstatement premiums.

- **Case estimate reserve:** These are typically 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'):** These 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. As with the LRC, it reflects the compensation that the entity requires for bearing the uncertainty of LIC cash flows that arises from non-financial risk.

NZ IFRS 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 branch 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.

Directly attributable expenses

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

The branch applies a percentage adjustment to projected maintenance expenses as the key input assumption. This rate is 75% for the 2024 year end (and is unchanged from the prior year-end restatement).

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 RBNZ reporting.

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 reinsurance contract liabilities are primarily denominated in NZD and AUD, and for these currencies the discount rates are based on Australian and New Zealand Government securities respectively. This considers the characteristics of the cash flows and the liquidity characteristics of the reinsurance contracts.

Gross 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.

	2024	2023
LIC	3.39	3.23
LRC*	2.33	3.22

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

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

3 ACTUARIAL ASSUMPTIONS AND METHODS (continued)

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 branch adopts risk adjustment factors consistent with the gross RBNZ 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 by reporting period is tabulated below:

		CSM	Profit before tax	Equity
		\$'000	\$'000	\$'000
2024				
Recognised amount per Financial Statements		9,478	16,615	78,314
Variable	Movement in variable			
Discount	+ 1.0%	-	2,243	1,615
Rate	- 1.0%	-	(2,411)	(1,736)
Claims Handling	+ 50.0%	(78)	(391)	(282)
Expenses	- 50.0%	78	391	282
Claims	+ 10.0%	(341)	(7,529)	(5,421)
	- 10.0%	629	5,894	4,243
2023				
Recognised amount per Financial Statements		4,240	5,366	66,347
Variable	Movement in variable			
Discount	+ 1.0%	-	2,267	1,653
Rate	- 1.0%	-	(2,089)	(1,524)
Claims Handling	+ 50.0%	(46)	(505)	(368)
Expenses	- 50.0%	46	505	368
Claims	+ 10.0%	(577)	(6,124)	(4,467)
	- 10.0%	1,423	4,777	3,485

4 RISK MANAGEMENT POLICIES AND PROCEDURES

Insurance contracts – Risk management policies and procedures

The financial condition and operation of the branch are affected by a number of key risks including insurance risk, credit risk, market risk, liquidity risk, compliance risk and operational risk. Notes on the branch'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

Risk management that is completed at the company level is also applicable at the branch.

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

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

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

4 RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

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

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

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

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

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

Financial risks

Financial risks are controlled by the majority of investments being in government bonds in the same currency and similar duration 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 branch may incur.

(a) Interest rate risk

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

The branch undertakes transactions denominated in foreign currencies; consequently, exposures to exchange fluctuations arise. Exchange rate exposures are managed by matching assets and liabilities as closely as possible by currency for the branch.

(d) Terms and conditions of reinsurance business

The terms and conditions attaching to reinsurance contracts affect the level of insurance risk accepted by the branch. 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.

(e) Concentration of insurance risk

The branch's exposure to concentrations of insurance risk is mitigated by a portfolio diversified into two major classes of business (Treaty and Facultative) written out of New Zealand. The portfolio is controlled and monitored through the company's Risk Appetite Statement, 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.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

4 RISK MANAGEMENT POLICIES AND PROCEDURES (continued)

Non-financial risks

Non-financial risks are controlled through the use of:

- | | |
|---|---|
| i) claims management procedures and authorities | v) charging adequate premium rates for the business |
| ii) product development/review procedures and authorities | vi) quarterly monitoring of profitability overall and by client |
| iii) treaty underwriting procedures and authorities | vii) reinsurance agreement terms and conditions |
| iv) underwriting and claim peer reviews of clients | |

5 PROFIT FROM ORDINARY ACTIVITIES

	2024 \$'000	2023 \$'000
Profit from ordinary activities has been arrived at after including		
(a) Included in other income and expenses are:		
- Expenses of management	(576)	(1,899)
- Foreign exchange gains/(losses)	97	(239)
- Lease expenses	(45)	(42)
- Depreciation and amortisation	(11)	(11)
	<u>(535)</u>	<u>(2,191)</u>
(b) Net investment income/(expense)		
Interest	5,241	4,205
Realised losses	(26)	(568)
Changes in fair values	1,632	931
Expenses	(61)	(67)
	<u>6,786</u>	<u>4,501</u>

(c) Remuneration of auditors and directors

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

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

6 INCOME TAX

The New Zealand Accounting Standards Board issued Amendments to NZ IAS 12 'International Tax Reform – Pillar Two Model Rules' which clarify that NZ IAS 12 'Income Taxes' applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements Qualified Domestic Minimum Top-up Taxes. The branch has adopted these amendments. However, they are not yet applicable for the current reporting year. No deferred tax has been recognised in relation to Pillar Two.

	2024 \$'000	2023 \$'000
(a) Income tax expense		
Tax expense comprises:		
Current tax expense that relates to current year	(8,442)	(446)
Current tax expenses relating to prior years' over provision	479	-
Deferred tax expense relating to temporary differences	3,760	(965)
Deferred tax expense relating to prior years' over provision	(445)	(41)
	<u>(4,648)</u>	<u>(1,452)</u>
Income tax expense relating to gain from ordinary activities	<u>(4,648)</u>	<u>(1,452)</u>

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

6 INCOME TAX (continued)

(a) Income tax expense (continued)

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:

	2024 \$'000	2023 \$'000
Profit before income tax	16,615	5,366
Income tax expense calculated at 28% (2023: 28%) of operating profit	(4,652)	(1,502)
Adjustment for Permanent differences:		
- Non-deductible entertainment expense	-	(1)
- Realised and unrealised exchange loss with Home Office	(30)	92
Prior years' over provision	34	(41)
Total income tax expense	(4,648)	(1,452)

(b) Deferred tax

At 31 December the deferred tax asset comprises:

Temporary differences	3,473	158
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The Directors have recognised a deferred tax asset on the basis of forecasts showing that there will be future taxable profits in the future for these to be utilised against.

	Opening balance \$'000	Transfers not charged to income \$'000	Charged to income \$'000	Closing balance \$'000
2024 Temporary differences				
Unrealised foreign exchange differences	(255)	-	170	(85)
Accruals and other liabilities	21	-	(1)	20
Tax losses carried forward	-	-	-	-
Insurance provisions	392	-	3,146	3,538
Total temporary differences	158	-	3,315	3,473
2023 Temporary differences				
Unrealised foreign exchange differences	(51)	-	(204)	(255)
Accruals and other liabilities	78	-	(57)	21
Tax losses carried forward	-	-	-	-
Insurance provisions	1,137	-	(745)	392
Total temporary differences	1,164	-	(1,006)	158

Losses of General Reinsurance Life Australia Ltd. – New Zealand Branch of \$6,206,827 (2023: \$nil) have been utilised by General Reinsurance Australia Ltd. – New Zealand Branch, and the branch will be reimbursed the tax value thereof.

7 CASH AND CASH EQUIVALENTS

	2024 \$'000	2023 \$'000
Cash on hand and at bank	18,062	13,062
Cash on deposit	85	207
Total cash and cash equivalents	18,147	13,269

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 \$'000	2023 \$'000
8 OTHER ASSETS		
Sundry assets	20,718	8,057
Property and equipment	6	17
Due from related entities:		
- General Reinsurance Corporation	5,290	5,171
- General Reinsurance Australia	-	14,763
Total other assets	26,014	28,008
Expected to be realised within 12 months	26,008	27,991
Expected to be realised in more than 12 months	6	17
	26,014	28,008
9 INVESTMENTS		
Insurance activities, at fair value:		
Fixed interest securities	102,691	75,571
10 RIGHT-OF-USE ASSETS		
Carrying value of:		
Properties	46	89
Net carrying amount		
Balance at 1 January	89	131
Depreciation expense	(43)	(42)
Balance at 31 December	46	89
11 REINSURANCE CONTRACTS		
Carrying value of:		
Gross		
Reinsurance contract liabilities	99,267	117,264
Reinsurance contract assets	(3,153)	(1,976)
Total gross reinsurance contracts issued	96,114	115,288
Retroceded		
Reinsurance contract assets	39,430	64,576
Reinsurance contract liabilities	(656)	(148)
Total retroceded reinsurance contracts held	38,774	64,428

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

11 REINSURANCE CONTRACTS (continued)

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		
2024	\$'000	\$'000	\$'000	\$'000
Reinsurance contract liabilities	13,249	35	103,980	117,264
Reinsurance contract assets	(4,498)	-	2,522	(1,976)
Balance as at 1 January	8,751	35	106,502	115,288
Insurance revenue	(66,471)	-	-	(66,471)
Insurance service expense				
Incurring claims and other expenses	1,799	-	22,749	24,548
Losses and reversals of losses on onerous contracts	-	465	-	465
Changes to liabilities for incurred claims	-	-	(17,815)	(17,815)
Insurance service expense	1,799	465	4,934	7,198
Insurance service result	(64,672)	465	4,934	(59,273)
Net finance expenses from gross reinsurance contracts issued				
Investment components	(1,556)	-	1,718	162
Insurance finance income or expenses from insurance contracts recognised in profit or loss	847	7	5,513	6,367
Effect of movements in exchange rates	(787)	1	(28)	(814)
Net finance expenses from gross reinsurance contracts issued	(1,496)	8	7,203	5,715
Total changes in the statement of profit or loss	(66,168)	473	12,137	(53,558)
Cash flows				
Premiums received	62,745	-	-	62,745
Claims and other expenses paid	(1,774)	-	(26,587)	(28,361)
Total cash flows	60,971	-	(26,587)	34,384
Other movements	-	-	-	-
Balance as at 31 December	3,554	508	92,052	96,114
Reinsurance contract liabilities	6,750	304	92,213	99,267
Reinsurance contract assets	(3,196)	204	(161)	(3,153)
Balance as at 31 December	3,554	508	92,052	96,114

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

11 REINSURANCE CONTRACTS (continued)

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

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
	\$'000	\$'000	\$'000	\$'000
Gross (continued)				
2023				
Reinsurance contract liabilities	9,761	305	75,338	85,404
Reinsurance contract assets	(1,029)	-	-	(1,029)
Balance as at 1 January	8,732	305	75,338	84,375
Insurance revenue	(44,991)	-	-	(44,991)
Insurance service expense				
Incurring claims and other expenses	1,138	(1,405)	33,389	33,122
Losses and reversals of losses on onerous contracts	-	1,004	-	1,004
Changes to liabilities for incurred claims	-	-	18,463	18,463
Insurance service expense	1,138	(401)	51,852	52,589
Insurance service result	(43,853)	(401)	51,852	7,598
Net finance expenses from gross reinsurance contracts issued				
Investment components	(547)	-	666	119
Insurance finance income or expenses from insurance contracts recognised in profit or loss	1,101	131	2,270	3,502
Effect of movements in exchange rates	(297)	-	14	(283)
Net finance expenses from gross reinsurance contracts issued	257	131	2,950	3,338
Total changes in the statement of profit or loss	(43,596)	(270)	54,802	10,936
Cash flows				
Premiums received	44,753	-	-	44,753
Claims and other expenses paid	(1,138)	-	(23,638)	(24,776)
Total cash flows	43,615	-	(23,638)	19,977
Other movements	-	-	-	-
Balance as at 31 December	8,751	35	106,502	115,288
Reinsurance contract liabilities	13,249	35	103,980	117,264
Reinsurance contract assets	(4,498)	-	2,522	(1,976)
Balance as at 31 December	8,751	35	106,502	115,288

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

11 REINSURANCE CONTRACTS (continued)

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

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
	\$'000	\$'000	\$'000	\$'000
Retroceded				
2024				
Reinsurance contract assets	8,437	394	55,745	64,576
Reinsurance contract liabilities	(326)	6	172	(148)
Balance as at 1 January	8,111	400	55,917	64,428
Allocation of reinsurance premiums: amounts relating to the changes in the assets for remaining coverage	(38,372)	(208)	-	(38,580)
Amounts recoverable from reinsurers				
Amounts recoverable for claims and other expenses incurred in the period	-	-	12,010	12,010
Changes in amounts recoverable arising from changes in liability for incurred claims	-	-	-	-
Changes in fulfilment cash flows which relate to onerous underlying contracts	-	-	(18,583)	(18,583)
Amounts recoverable from reinsurers	-	-	(6,573)	(6,573)
Net income or expense from retroceded reinsurance contracts	(38,372)	(208)	(6,573)	(45,153)
Net finance income from retroceded reinsurance contracts held				
Reinsurance investment components	-	-	-	-
Effect of changes in non-performance risk of reinsurers	(2)	-	(1,054)	(1,056)
Cost of retroactive cover on retroceded reinsurance contracts	-	-	-	-
Reinsurance finance income	98	-	2,943	3,041
Effect of movements in exchange rates	(577)	-	551	(26)
Net finance income from retroceded reinsurance contracts held	(481)	-	2,440	1,959
Total changes in the statement of profit or loss	(38,853)	(208)	(4,133)	(43,194)
Cash flows				
Premiums paid	34,924	-	-	34,924
Amounts received	-	-	(17,384)	(17,384)
Total cash flows	34,924	-	(17,384)	17,540
Other movements	-	-	-	-
Balance as at 31 December	4,182	192	34,400	38,774
Reinsurance contract assets	5,290	151	33,989	39,430
Reinsurance contract liabilities	(1,108)	41	411	(656)
Balance as at 31 December	4,182	192	34,400	38,774

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

11 REINSURANCE CONTRACTS (continued)

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

	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
	\$'000	\$'000	\$'000	\$'000
Retroceded (continued)				
2023				
Reinsurance contract assets	7,005	680	28,071	35,756
Reinsurance contract liabilities	(1,363)	-	657	(706)
Balance as at 1 January	5,642	680	28,728	35,050
Allocation of reinsurance premiums: amounts relating to the changes in the assets for remaining coverage	(28,087)	(280)	-	(28,367)
Amounts recoverable from reinsurers				
Amounts recoverable for claims and other expenses incurred in the period	-	-	40,473	40,473
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	-	-	40,473	40,473
Net income or expense from retroceded reinsurance contracts	(28,087)	(280)	40,473	12,106
Net finance income from retroceded reinsurance contracts held				
Reinsurance investment components	-	-	-	-
Effect of changes in non-performance risk of reinsurers	(21)	-	473	452
Cost of retroactive cover on retroceded reinsurance contracts	-	-	-	-
Reinsurance finance income	680	-	312	992
Effect of movements in exchange rates	386	-	56	442
Net finance income from retroceded reinsurance contracts held	1,045	-	841	1,886
Total changes in the statement of profit or loss	(27,042)	(280)	41,314	13,992
Cash flows				
Premiums paid	29,511	-	-	29,511
Amounts received	-	-	(14,125)	(14,125)
Total cash flows	29,511	-	(14,125)	15,386
Other movements	-	-	-	-
Balance as at 31 December	8,111	400	55,917	64,428
Reinsurance contract assets	8,437	394	55,745	64,576
Reinsurance contract liabilities	(326)	6	172	(148)
Balance as at 31 December	8,111	400	55,917	64,428

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

11 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
	\$'000	\$'000	\$'000	\$'000
2024				
Reinsurance contract liabilities	90,436	20,110	6,718	117,264
Reinsurance contract assets	(2,555)	497	82	(1,976)
Balance as at 1 January	87,881	20,607	6,800	115,288
Changes that relate to current services				
CSM recognised for services provided	-	-	(12,977)	(12,977)
Risk adjustment recognised for the risk expired	-	(6,351)	-	(6,351)
Experience adjustments	(22,521)	-	-	(22,521)
Changes that relate to current services	(22,521)	(6,351)	(12,977)	(41,849)
Changes that relate to future services				
Contracts initially recognised in the period	(22,970)	8,608	14,581	219
Changes in estimates that adjust the CSM	2,600	(106)	(2,411)	83
Changes in estimates that do not adjust the CSM	342	(110)	-	232
Changes that relate to future services	(20,028)	8,392	12,170	534
Changes that relate to past services				
Adjustments to liabilities for incurred claims	(10,969)	(6,827)	-	(17,796)
Changes that relate to past services	(10,969)	(6,827)	-	(17,796)
Insurance service result	(53,518)	(4,786)	(807)	(59,111)
Insurance finance income or expenses from insurance contracts recognised in profit or loss	4,280	1,218	869	6,367
Effect of movements in exchange rates	(1,017)	88	115	(814)
Total changes in the statement of profit or loss	(50,255)	(3,480)	177	(53,558)
Cash flows				
Premiums received	62,745	-	-	62,745
Claims and other expenses paid	(28,361)	-	-	(28,361)
Total cash flows	34,384	-	-	34,384
Other movements	-	-	-	-
Balance as at 31 December	72,010	17,127	6,977	96,114
Reinsurance contract liabilities	75,244	17,046	6,977	99,267
Reinsurance contract assets	(3,234)	81	-	(3,153)
Balance as at 31 December	72,010	17,127	6,977	96,114

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

11 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
	\$'000	\$'000	\$'000	\$'000
2023				
Reinsurance contract liabilities	65,903	14,066	5,435	85,404
Reinsurance contract assets	(1,029)	-	-	(1,029)
Balance as at 1 January	64,874	14,066	5,435	84,375
Changes that relate to current services				
CSM recognised for services provided	-	-	(10,776)	(10,776)
Risk adjustment recognised for the risk expired	-	(4,404)	-	(4,404)
Experience adjustments	7,376	-	-	7,376
Changes that relate to current services	7,376	(4,404)	(10,776)	(7,804)
Changes that relate to future services				
Contracts initially recognised in the period	(16,076)	7,760	12,149	3,833
Changes in estimates that adjust the CSM	1,492	400	(1,774)	118
Changes in estimates that do not adjust the CSM	(3,202)	(780)	1,147	(2,835)
Changes that relate to future services	(17,786)	7,380	11,522	1,116
Changes that relate to past services				
Adjustments to liabilities for incurred claims	11,594	2,811	-	14,405
Changes that relate to past services	11,594	2,811	-	14,405
Insurance service result	1,184	5,787	746	7,717
Insurance finance income or expenses from insurance contracts recognised in profit or loss	2,058	761	683	3,502
Effect of movements in exchange rates	(212)	(7)	(64)	(283)
Total changes in the statement of profit or loss	3,030	6,541	1,365	10,936
Cash flows				
Premiums received	44,753	-	-	44,753
Claims and other expenses paid	(24,776)	-	-	(24,776)
Total cash flows	19,977	-	-	19,977
Other movements	-	-	-	-
Balance as at 31 December	87,881	20,607	6,800	115,288
Reinsurance contract liabilities	90,436	20,110	6,718	117,264
Reinsurance contract assets	(2,555)	497	82	(1,976)
Balance as at 31 December	87,881	20,607	6,800	115,288

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

11 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
2024	\$'000	\$'000	\$'000	\$'000
Reinsurance contract assets	50,787	11,191	2,598	64,575
Reinsurance contract liabilities	(131)	22	(38)	(147)
Balance as at 1 January	50,656	11,213	2,560	64,428
Changes that relate to current services				
CSM recognised for services provided	-	-	(2,513)	(2,513)
Risk adjustment recognised for the risk expired	-	(4,649)	-	(4,649)
Experience adjustments	(19,642)	-	-	(19,642)
Changes that relate to current services	(19,642)	(4,649)	(2,513)	(26,804)
Changes that relate to future services				
Contracts initially recognised in the period	(12,700)	5,552	7,203	55
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	-	-
Changes in estimates that adjust the CSM	5,578	461	(5,869)	170
Changes in estimates that do not adjust the CSM	9	-	-	9
Changes that relate to future services	(7,113)	6,013	1,334	234
Changes that relate to past services				
Changes in amounts recoverable arising from changes in liability for incurred claims	(12,796)	(5,787)	-	(18,583)
Changes that relate to past services	(12,796)	(5,787)	-	(18,583)
Reinsurance finance income	1,986	697	358	3,041
Effect of changes in non-performance risk of reinsurers	(1,056)	-	-	(1,056)
Effect of movements in exchange rates	(48)	22	-	(26)
Total changes in the statement of profit or loss	(38,669)	(3,704)	(821)	(43,194)
Cash flows				
Premiums paid	34,924	-	-	34,924
Amounts received	(17,384)	-	-	(17,384)
Total cash flows	17,540	-	-	17,540
Other movements	-	-	-	-
Balance as at 31 December	29,527	7,509	1,739	38,774
Reinsurance contract assets	29,856	7,136	2,439	39,430
Reinsurance contract liabilities	(329)	373	(700)	(656)
Balance as at 31 December	29,527	7,509	1,739	38,774

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FOR THE YEAR ENDED 31 DECEMBER 2024

11 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
	\$'000	\$'000	\$'000	\$'000
2023				
Reinsurance contract assets	28,357	6,081	1,318	35,756
Reinsurance contract liabilities	(1,039)	147	187	(705)
Balance as at 1 January	27,318	6,228	1,505	35,051
Changes that relate to current services				
CSM recognised for services provided	-	-	(2,147)	(2,147)
Risk adjustment recognised for the risk expired	-	(3,789)	-	(3,789)
Experience adjustments	(3,252)	-	-	(3,252)
Changes that relate to current services	(3,252)	(3,789)	(2,147)	(9,188)
Changes that relate to future services				
Contracts initially recognised in the period	(9,305)	5,394	7,719	3,808
Changes in estimates that adjust the CSM	2,169	(41)	(4,941)	(2,813)
Changes in estimates that do not adjust the CSM	32	-	-	32
Changes that relate to future services	(7,104)	5,353	2,778	1,027
Changes that relate to past services				
Changes in amounts recoverable arising from changes in liability for incurred claims	17,198	3,069	-	20,267
Changes that relate to past services	17,198	3,069	-	20,267
Reinsurance finance income	205	363	424	992
Effect of changes in non-performance risk of reinsurers	452	-	-	452
Effect of movements in exchange rates	453	(11)	-	442
Total changes in the statement of profit or loss	7,952	4,985	1,055	13,992
Cash flows				
Premiums paid	29,511	-	-	29,511
Amounts received	(14,125)	-	-	(14,125)
Total cash flows	15,386	-	-	15,386
Other movements	-	-	-	-
Balance as at 31 December	50,656	11,213	2,560	64,429
Reinsurance contract assets	50,787	11,191	2,598	64,576
Reinsurance contract liabilities	(131)	22	(38)	(147)
Balance as at 31 December	50,656	11,213	2,560	64,429

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

11 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 2024	Non-onerous \$'000	Onerous \$'000	Total \$'000
Estimate of present value of future cash outflows	49,557	3,165	52,722
Estimates of present value of future cash inflows	(71,807)	(3,885)	(75,692)
Risk adjustment	7,669	939	8,608
CSM	14,581	-	14,581
Losses recognised on initial recognition	-	219	219

2023

Estimate of present value of future cash outflows	31,932	7,652	39,584
Estimates of present value of future cash inflows	(49,873)	(5,788)	(55,661)
Risk adjustment	5,792	1,968	7,760
CSM	12,149	-	12,149
Losses recognised on initial recognition	-	3,832	3,832

Retroceded

2024

Estimate of present value of future cash outflows	(33,436)	-	(33,436)
Estimates of present value of future cash inflows	46,136	-	46,136
Risk adjustment	(5,552)	-	(5,552)
CSM	(7,203)	-	(7,203)
Losses recognised on initial recognition	(55)	-	(55)

2023

Estimate of present value of future cash outflows	(24,681)	-	(24,681)
Estimates of present value of future cash inflows	33,986	-	33,986
Risk adjustment	(5,394)	-	(5,394)
CSM	(7,719)	-	(7,719)
Losses recognised on initial recognition	(3,808)	-	(3,808)

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:

	2024 \$'000	2023 \$'000
Gross reinsurance contracts issued		
Not later than one year	6,610	4,952
Later than one year but not later than two years	350	1,359
Later than two years but not later than three years	7	339
Later than three years but not later than four years	7	135
Later than four years but not later than five years	3	10
Later than five years but not later than ten years	-	4
Later than ten years	-	-
	6,977	6,799

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

11 REINSURANCE CONTRACTS (continued)

Contractual Service Margin (continued)

	2024 \$'000	2023 \$'000
Retroceded reinsurance contracts held		
Not later than one year	(1,721)	(1,946)
Later than one year but not later than two years	(18)	(615)
Later than two years but not later than three years	-	-
Later than three years but not later than four years	-	-
Later than four years but not later than five years	-	-
Later than five years but not later than ten years	-	-
Later than ten years	-	-
	<u>(1,739)</u>	<u>(2,561)</u>

Net undiscounted central estimate of ultimate claims by underwriting year

	Prior \$M	2017 \$M	2018 \$M	2019 \$M	2020 \$M	2021 \$M	2022 \$M	2023 \$M	2024 \$M	Total \$M
Estimate of net ultimate claims cost*:										
At end of underwriting year	10	3	4	18	3	3	3	7	13	
One year later	14	5	7	19	8	7	12	18		
Two years later	18	5	5	19	8	9	11			
Three years later	22	4	5	19	8	8				
Four years later	19	3	3	20	8					
Five years later	18	3	3	19						
Six years later	17	3	2							
Seven years later	16	2								
Thereafter	14									
Current estimate of net cumulative claims	14	2	2	19	8	8	11	18	13	95
Cumulative net payments	12	0	1	16	1	0	3	5	1	39
Net undiscounted liabilities of incurred claims for the nine most recent underwriting years:	2	2	1	3	7	8	9	13	13	57

* The estimate of net ultimate claims cost is net of the LIC commission adjustments and reinstatement premiums.

Maturity profile of the reinsurance contracts

The following tables set out the expected maturity of the undiscounted future net cash outflows/(inflows) within the company's reinsurance contract assets and liabilities, being the sum of LIC and LRC.

Gross reinsurance contracts issued

	2024 \$'000	2023 \$'000
Not later than one year	5,307	25,287
Later than one year but not later than five years	66,177	68,962
Later than five years	34,702	34,242
	<u>106,186</u>	<u>128,491</u>

Retroceded reinsurance contracts held

Not later than one year	(2,573)	(23,663)
Later than one year but not later than five years	(31,421)	(36,924)
Later than five years	(8,285)	(8,664)
	<u>(42,279)</u>	<u>(69,251)</u>

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

12 PROVISIONS	Opening Balance \$'000	Payments \$'000	Provision \$'000	Closing Balance \$'000
Annual leave	61	-	1	62

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

13 OTHER PAYABLES	2024 \$'000	2023 \$'000
Sundry payables and accruals	4,785	612
Due to related entities:		
- General Reinsurance Life Australia Ltd.	1,719	733
- General Reinsurance Australia Ltd.	5,092	-
Total other payables	11,596	1,345

All balances are expected to be paid within 12 months.

14 LEASE LIABILITIES

Balance at 1 January 2024	103	144
Interest expense	2	2
Payments	(50)	(43)
Balance at 31 December 2024	55	103
Expected to be paid within 12 months	55	52
Expected to be paid in more than 12 months	-	51
	55	103
Maturity profile		
Not later than one year	55	52
Later than one year but not later than five years	-	51
Later than five years	-	-
	55	103

15 HEAD OFFICE ACCOUNT

Designated equity	10,000	10,000
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16 RELATED PARTIES

Parent and ultimate controlling entities

The immediate parent and ultimate controlling entity for General Reinsurance Australia Ltd 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	Andrew Gifford
Keith Scott	Neal Mullen
Stephen Ferguson	Ben Walsh

Key Management Personnel

Key management personnel are remunerated by the company with no direct costs incurred by the branch.

Related party balances (owing)/receivable at reporting date

General Reinsurance Life Australia Ltd.	(1,719)	(733)
General Reinsurance Corporation	1,579	(463)
Head Office Account: General Reinsurance Australia Ltd.	(5,092)	14,763

Prior year comparatives (2023) required amendment (Refer to Note 1).

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

16 RELATED PARTIES (continued)	2024 \$'000	2023 \$'000
Management charges paid to related entities		
New England Asset Management, Inc.	43	50
General Reinsurance Corporation	648	446
Head Office: General Reinsurance Australia Ltd	2,944	2,072

Retrocessions

The company is a party to a retrocession agreement with the immediate parent entity which cover the branch's operations. This agreement is entered into under normal commercial terms and conditions. Details of transactions are listed below.

Related party: General Reinsurance Corporation

Retrocession premiums	(47,940)	(52,589)
Claim recoveries	17,315	40,473
Reinsurance recoverable on paid losses	-	-
Reinsurance recoverable on unpaid losses	34,013	54,623

All inter-company balances are at no interest and are due on demand.

17 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of net operating cash flows to net profit

Net profit	11,967	3,914
Depreciation	11	7
Profit on sale of investments	26	568
Unrealised movement in fair value of investments and amortisation	(3,480)	(3,793)
Finance costs	50	49

Change in operating assets and liabilities

(Decrease)/increase in gross reinsurance contracts	(19,174)	30,913
Decrease/(increase) in retroceded reinsurance contracts	25,654	(29,378)
Decrease in other assets	1,946	5,303
Increase/(decrease) in payables and provisions	10,204	(14,007)
Movement in tax accounts	1,309	(2,654)

Net cash provided by/(used in) operating activities

28,513	(9,078)
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18 FINANCIAL INSTRUMENTS

(a) Credit Risk Exposure

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

(b) Interest Rate Risk

The branch's exposure to interest rate risk is managed through adjustments to the investment portfolio. The branch'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 branch 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 and financial liability are disclosed in note 1 of the financial statements.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

18 FINANCIAL INSTRUMENTS (continued)

(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 branch consists of Cash and cash equivalents (as disclosed in Note 7) and Equity, comprising Head Office Account 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

		2024 \$'000	2023 \$'000
Financial assets	Note		
Financial assets at fair value through profit or loss (i)			
Fixed interest securities	9	102,691	75,571
Amortised cost			
Cash and cash equivalents	7	18,147	13,269
Other assets	8	26,014	28,008
Financial liabilities			
Amortised cost			
Other payables	13	11,596	1,345

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

(g) Financial risk management objectives

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

As part of the overall governance framework the Board and senior management of the company have developed, implemented and maintain the RMS and 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. The Board declares to the Reserve Bank of New Zealand 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.

(h) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the branch. The branch has adopted the policy of only dealing with creditworthy cedants and bond issuers as a means of mitigating the risk of financial loss from defaults. The branch's overall strategy in respect of credit risk management remains unchanged from 2023.

(i) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations under the reinsurance contracts it has entered into. Ultimate responsibility for liquidity risk management rests with the Board of directors, which has implemented appropriate liquidity risk management framework for the management of the branch's short, medium and long-term funding and liquidity management requirements. The branch manages liquidity risk by maintaining appropriate levels of financial assets that are readily realisable and by continuously monitoring forecast and actual cash flows in order to match the maturity profiles of assets and liabilities. The company has developed and implemented a Risk Management Strategy. The company's overall strategy in liquidity risk management remains unchanged from 2023.

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

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

18 FINANCIAL INSTRUMENTS (continued)

(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
2024	%	\$'000	\$'000	\$'000	\$'000
Financial liabilities					
Non-interest bearing:					
Payables	-	11,596	-	-	11,596
		<u>11,596</u>	<u>-</u>	<u>-</u>	<u>11,596</u>
2023					
Financial liabilities					
Non-interest bearing:					
Payables	-	1,345	-	-	1,345
		<u>1,345</u>	<u>-</u>	<u>-</u>	<u>1,345</u>

(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 branch's exposure to the different elements of market risk or the manner in which it manages and measures these risks.

Interest rate risk management

The branch's activities expose it to the financial risk of changes in interest rates. Fixed interest rate instruments expose the branch to interest rate risk. The company's Investment Manager closely monitors the branch's exposures to interest rate risk. The branch's exposure to interest risk is managed through adjustment to the investment portfolio.

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

	Weighted average interest rate	Less than 1 year	1-5 years	5+ years	Total
2024	%	\$'000	\$'000	\$'000	\$'000
Non-interest bearing:					
Deposit with related party	-	-	-	-	-
Other insurance receivables	-	26,008	-	-	26,008
Variable interest rate instruments:					
Cash	4.35	18,147	-	-	18,147
Fixed interest rate instruments:					
New Zealand Government	3.85	-	102,691	-	102,691
		<u>44,155</u>	<u>102,691</u>	<u>-</u>	<u>146,846</u>

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

18 FINANCIAL INSTRUMENTS (continued)

(j) Market risk (continued)

Interest rate risk management (continued)

	Weighted average	Less than 1 year	1-5 years	5+ years	Total
2023	%	\$'000	\$'000	\$'000	\$'000
Non-interest bearing:					
Deposit with related party	-	-	-	-	-
Other insurance receivables	-	27,991	-	-	27,991
Variable interest rate instruments:					
Cash	5.50	13,269	-	-	13,269
Fixed interest rate instruments:					
New Zealand Government	5.27	5,405	70,166	-	75,571
		46,665	70,166	-	116,831

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

	+100bps		-100bps	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Effect of 100 basis point increase or decrease on profit (+/-)	(904)	(594)	918	602

Foreign currency risk management and sensitivity analysis

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

The branch's financial assets are primarily denominated in the same currencies as its reinsurance contract liabilities. The branch's overall strategy in respect of foreign currency risk management remains unchanged from 2023.

The exposure to Australian dollars on reinsurance liabilities net of the corresponding retrocession recoveries are as follows:

	2024 \$'000	2023 \$'000
Exposure to Australian dollars at 31 December	25,103	62,015
Unrealised gain/(loss) from a 10% change in foreign exchange rates	2,510	6,202

Fair value of financial instruments

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

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

18 FINANCIAL INSTRUMENTS (continued)

(j) Market risk (continued)

Investments

The estimated fair values for fixed maturity securities in the Statement of Financial Position were generally based on quoted market prices.

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 branch's investments in fixed maturity securities are primarily based on market prices and market data available for instruments with similar characteristics since active markets are not common for many instruments. Pricing evaluations are based on yield curves for instruments with similar characteristics such as credit rating, estimated duration and yields for other instruments of the issuer or entities in the same industry sector.
- Level 3 – Inputs include significant unobservable inputs used in the measurement of assets and liabilities. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities or related observable inputs that can be corroborated at the measurement date. Measurements of non-exchange traded derivative contracts and certain other investments carried at fair value are based primarily on valuation models, discounted cash flow models or other valuation techniques that are believed to be used by market participants. Unobservable inputs require management to make certain projections and assumptions about the information that would be used by market participants in pricing assets or liabilities.

Financial assets and liabilities

Financial assets and liabilities measured at fair value in the financial statements as at 31 December 2024 and 2023 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
2024				
Fixed maturity bonds				
New Zealand Government	<u>102,691</u>	<u>-</u>	<u>-</u>	<u>102,691</u>

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

2023

Fixed maturity bonds

New Zealand Government	<u>75,571</u>	<u>-</u>	<u>-</u>	<u>75,571</u>
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19 AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY ('APRA') CAPITAL ADEQUACY

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

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

The company is required to maintain its APRA solvency margin and to notify the RBNZ if it carries on insurance business in New Zealand that is not reinsurance. The company has complied with all externally imposed capital requirements throughout the year.

NOTES TO THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

19 AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY ('APRA') CAPITAL ADEQUACY (Continued)

	2024 AU\$'000	2023 AU\$'000
Capital base/Common Equity Tier 1 Capital		
Net assets	456,818	387,566
Premium liability deficit	(44,660)	(40,108)
Accounts receivables	47,096	53,394
Deferred tax assets	(10,220)	(6,737)
Reinsurance assets receivable not meeting governing law requirements	(70)	(127)
	<u>448,964</u>	<u>393,988</u>
Prescribed Capital Amount (PCA)		
Insurance Risk Charge	78,733	81,146
Insurance Concentration Risk Charge	47,224	52,000
Asset Risk Charge	20,542	21,326
Operational Risk Charge	11,305	10,087
Less: Aggregation Benefit	(14,886)	(15,481)
	<u>142,918</u>	<u>149,078</u>
Capital in excess of PCA	306,046	244,910
PCA coverage ratio	3.1414	2.6428

General Reinsurance Australia Ltd. has an "AA+" credit rating from Standard and Poor's as at 31 December 2024.

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

Prior year comparatives (2023) required amendment (Refer to Note 1).

20 ADDITIONAL BRANCH INFORMATION

Principal Place of Business

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

Number of Employees

At 31 December 2024 the branch had 2 employees (2023: 2).

Type of Company

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

21 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 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.

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

Opinion

We have audited the financial statements of General Reinsurance Australia Ltd. - New Zealand Branch (the "Branch") which comprises the statement of financial position as at 31 December 2024, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Branch's financial position as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

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

Emphasis of Matter – New Zealand Branch

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Reinsurance Contract Liabilities – Refer to Notes 3 and 11</p> <p>The Branch reported \$99.3 million in reinsurance contract liabilities as of 31 December 2024, representing 86.6% of its total liabilities.</p> <p>Reinsurance contract liabilities are determined in accordance with NZ IFRS 17 Insurance Contracts. The Branch measures its contracts using the General Measurement Model.</p> <p>This requires the use of complex valuation models and assumptions to measure groups of contracts at the estimate of the present value of fulfillment cash flows, which includes an explicit risk adjustment for non-financial risk; and the contractual service margin (“CSM”) when applying the General Measurement Model.</p> <p>While there are many assumptions which management makes, the assumptions with the greatest estimation uncertainty are claims handling expenses, claims development, policyholder behaviour, risk adjustment for non-financial risk and discount rates. These assumptions required significant auditor attention in specific circumstances where (i) there is limited Branch and industry experience data, (ii) the historical experience may not be a good indicator of the future and (iii) the determination of discount rates requires measurement of unobservable market inputs.</p> <p>Auditing of certain valuation models, claims handling expenses, claims development, policyholder behaviour, risk adjustment for non-financial risk and discount rates assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.</p>	<p>Our audit procedures related to certain valuation models, claims handling expenses, claims development, policyholder behaviour, risk adjustment for non-financial risk and discount rates assumptions included the following, among others:</p> <ul style="list-style-type: none"> • With the assistance of actuarial specialists, tested the appropriateness of certain valuation models used in the estimation of the liability for incurred claims process by: <ul style="list-style-type: none"> ○ Evaluating the Branch’s valuation models within the NZ IFRS 17 calculation engine; ○ Evaluating the accuracy of the Branch’s application of model inputs are aligned with the input assumptions. • With the assistance of actuarial specialists, tested the reasonableness of expenses, claims development, policyholder behaviour, risk adjustment for non-financial risk and discount rates assumptions by: <ul style="list-style-type: none"> ○ Evaluating whether management’s assumptions were determined in accordance with the requirements of NZ IFRS 17; ○ Testing experience studies and other inputs used in the determination of the expenses, claims development, policyholder behaviour, risk adjustment for non-financial risk and discount rates; ○ Analysing management’s interpretation and judgement of its experience study results and emerging claims experience, evaluating triggers and drivers for revisions of assumptions, assessing reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking where applicable. • With the assistance of actuarial specialists, evaluated the reasonableness of Management’s approach in selecting the discount rate that is applied to the Branch’s insurance cashflows.

Other Information

The Directors on behalf of the Branch are responsible for the other information. The other information comprises the Directors' Report included in the Branch's Financial Report for the year ended 31 December 2024, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

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

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

We communicate with the 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.

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Gaudreault

David Gaudreault

Partner

Chartered Accountants

Sydney, 25 March 2025



The people behind the promise.

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