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General Reinsurance Life Australia Ltd
New Zealand Life Branch
ABN:73 002 166 869
Annual Financial Statements 2009

Gen Re | LifeHealth

A Berkshire Hathaway Branch

NPC# 27

27 MAY 2010

GENERAL REINSURANCE LIFE AUSTRALIA LTD – NEW ZEALAND LIFE BRANCH

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GENERAL REINSURANCE LIFE AUSTRALIA LTD – NEW ZEALAND LIFE BRANCH

BOARD AND OFFICERS

Board of Directors
F.A. McDonald, Chairman
A.G. Brown
R.E. Deane
K.W. Droste
K.J. McCann
M.L.C. Molesworth

Management
M.L.C.Molesworth, Managing Director
E. Fabrizio, Deputy General Manager and Chief Actuary
M.J. Brent, Chief Financial Officer and Company Secretary
J Dorter, Head of Client Services
J Louw, Head of Account Management
M Ramjan, Head of Client Services
R Johnson, Technical Claims Manager

Chief Medical Officer
R.J. Mulhearn, FRCP FRACP

Auditor
Deloitte Touche Tohmatsu, Sydney

Head Office
General Reinsurance Life Australia Ltd

Principal place of business and registered office:
Level 24, 123 Pitt Street, Sydney, NSW 2000
Telephone (02) 8236 6100 Facsimile (02) 9222 1540

A.B.N. 73 002 166 869

GENERAL REINSURANCE LIFE AUSTRALIA LTD - NEW ZEALAND LIFE BRANCH
DIRECTORS' REPORT

The Directors present the annual financial report of General Reinsurance Life Australia Ltd - New Zealand Life Branch for the year ended 31 December 2009.

No disclosure has been made in respect of Section 211(1)(a) and (e) to (j) of the Companies Act 1993 following a unanimous decision by the shareholders in accordance with Section 211(3) of the Act.

The Directors are responsible for the preparation, in accordance with New Zealand Law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of General Reinsurance Life Australia Ltd - New Zealand Life Branch as at 31 December 2009 and the results of their operations for the year ended 31 December 2009.

The Directors consider that the financial statements of the company and the group have been prepared using accounting policies appropriate to the company and group circumstances, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the company and group and to prevent and detect fraud and other irregularities.

This annual report and the financial statements are dated 24 March 2010 and signed in accordance with a resolution of the directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

F.A. McDonald
Chairman

M.L.C.Molesworth
Principal Officer

Dated 24 March 2010

GENERAL REINSURANCE LIFE AUSTRALIA LTD – NEW ZEALAND LIFE BRANCH
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	2009 $	2008 $
Life insurance premium revenue	8	35,727,250	32,773,798
Outward reinsurance expense		(6,169,869)	(1,279,731)
Net premium revenue		29,557,381	31,494,067
Investment income	8	1,994,650	5,514,058
Other revenue	8	-	8,000
Net revenue		**31,552,031**	**37,016,125**
Life insurance claims expense	9	21,026,142	18,369,454
Net claims expense		21,026,142	18,369,454
Other expenses	10	5,993,002	5,251,690
Change in life insurance contract policy liabilities	16	(309,533)	9,678,278
Net claims and expenses		**26,709,611**	**33,299,422**
Profit before income tax		**4,842,420**	**3,716,703**
Income tax expense	12(a)	1,106,742	-
Profit for the year attributable to the members of General Reinsurance Life Australia Ltd - New Zealand Life Branch after tax		**3,735,678**	**3,716,703**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

GENERAL REINSURANCE LIFE AUSTRALIA LTD – NEW ZEALAND LIFE BRANCH
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	2009 $	2008 $
ASSETS			
Cash and cash equivalents		18,414,062	16,753,822
Outstanding premiums and receivables	13	2,639,917	10,066,702
Investments	14	62,750,391	47,850,478
Current tax asset	12(b)	-	430,101
Deferred tax asset		-	-
TOTAL ASSETS		83,804,370	75,101,103
LIABILITIES			
Trade and other payables	15	13,703,724	8,426,602
Life insurance contract policy liabilities	16(a)	54,211,472	54,521,005
Deferred tax liability		-	-
TOTAL LIABILITIES		67,915,196	62,947,607
NET ASSETS		**15,889,174**	**12,153,496**
EQUITY			
Head Office equity account		532,000	532,000
Retained profits		15,357,174	11,621,496
TOTAL EQUITY		**15,889,174**	**12,153,496**

The Statement of Financial Position should be read in conjunction with the accompanying notes.

GENERAL REINSURANCE LIFE AUSTRALIA LTD – NEW ZEALAND LIFE BRANCH
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Head Office Equity 2009 $	Retained Earnings 2009 $	Total 2009 $
Balance at 1 January 2009	532,000	11,621,496	12,153,496
Profit for the year	-	3,735,678	3,735,678
Balance at 31 December 2009	**532,000**	**15,357,174**	**15,889,174**

	Head Office Equity 2008 $	Retained Earnings 2008 $	Total 2008 $
Balance at 1 January 2008	532,000	7,904,793	8,436,793
Profit for the year	-	3,716,703	3,716,703
Balance at 31 December 2008	**532,000**	**11,621,496**	**12,153,496**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

This general purpose financial report covers General Reinsurance Life Australia Ltd - New Zealand Life Branch (the branch). The branch is domiciled in New Zealand, registered address at 23-29 Albert Street, Auckland. The branch is a reporting entity for the purposes of the Financial Reporting Act 1993. As a single entity that operates in the life insurance industry, the financial statements have been prepared in accordance with the Financial Reporting Act 1993, the Life Insurance Act 1908 (Life Act) and Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The Branch qualifies for Differential Reporting exemptions as it has no public accountability, and at balance date, there is no separation between the owners and governing body. All available differential reporting exemptions allowed under the Framework for Differential Reporting have been adopted except for:

- the exemption under NZ IAS 18 Revenue allowing the recording of revenue and expense inclusive of GST;
- the exemption under NZ IAS 21 The effects of Changes in Foreign Exchange Rates allowing the measurement of transactions in foreign currencies at the settlement rate;
- the exemption under NZ IAS 12 Income Tax; and
- certain disclosure exemptions.

These Financial Statements were authorised for issue by the directors on 31 March 2010.

This financial report is prepared in accordance with the fair value basis of accounting with certain exceptions as described in the accounting policies below.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(a) Principles for Life Insurance Business

The life insurance operations of the branch are conducted under the *Life Act* and are reported in the statement of comprehensive income, statement of financial position and statement of changes in equity of the branch. The life insurance operations of the branch comprise the selling and administration of life insurance contracts.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). Insurance contracts include those where the insured benefits is payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefits are not linked to the market value of the investments held by the branch, and the financial risks are substantially borne by the branch. Life insurance contract business written by the branch is non-participating and all profits and losses are allocated to the shareholders. Any products sold that do not meet the definition of a life insurance contract are classified as life investment contracts.

The branch has no Life investment contracts in place.

(b) Revenue

Premiums are recognised as revenue on an accruals basis, based on current experience. Refunds of premiums arising under contractual obligations are accounted for as a reduction in premium income.

(c) Claims Expense

Life insurance contracts
Claims incurred relate to life insurance contracts (providing services and bearing risks including protection business) and are treated as expenses. Claims are recognised when the liability to the policy owner under the policy contract has been established. Where data up to balance date is not available from cedants, best estimate accruals are made based on historical data and known business trends. Reserves for claims incurred but not reported and claims considered likely to arise are included in the actuarial valuation of policy liabilities .

(d) Basis of Expense Apportionment

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

Policy acquisition costs are the fixed and variable costs of acquiring new business. They include commission and similar distribution costs. The actual acquisition costs incurred are recorded in Note 10.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(e) Policy Liabilities

The value of life insurance contract liabilities is calculated using the Margin on Services methodology. Under this methodology, planned profit margins and an estimate of future liabilities are calculated separately for each related product group using best estimate assumptions at each reporting date. Profit margins are released over each reporting period in line with the services that have been provided. The balance of the planned profits is deferred by including them in the value of policy liabilities. Further details of the actuarial assumptions used in these calculations are set out in note 3.

(f) Assets backing policy liabilities

The Directors have determined that all assets held within the branch are assets backing policy liabilities. As all assets of the branch are managed under General Reinsurance Life Australia Ltd's Risk Management Statement on a fair value basis and are reported to the Board on this basis, all assets have been valued at fair value through profit or loss where available.

Financial assets

Financial assets are classified as fair value through profit or loss. Initial recognition is at cost and subsequent measurement is at fair value. Unrealised profits and losses on subsequent measurement to fair value are recognised in the Statement of Comprehensive Income. Fair value is determined as follows:

- Cash and cash equivalents are carried at face value of the amounts deposited or drawn.
  The carrying amounts of cash and cash equivalents approximate to their fair value.
- Fixed interest securities at fair values represented by quoted market value at balance date.
- Receivables are carried at book value less provision for doubtful debts, which is the best estimate of fair value at balance date.

(g) Income Tax

The Branch adopts the liability method of tax effect accounting. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the benefit is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

Income tax is determined through the application of the Life Insured Based Income method. Tax is calculated at 30% of taxable income. The rates of taxation in effect at the date of the valuation are assumed to continue.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The tax rate of 30% that is applicable from 1 January 2008 is applied to the cumulative amounts of deductible and assessable temporary differences to measure the deferred tax asset or liability. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(h) Deferred Acquisition Costs

The costs incurred in acquiring specific life insurance contracts include commission payments and similar distribution costs.
The Actuary, in determining the policy liabilities, takes account of the deferral and future recovery of acquisition costs, resulting in policy liabilities being lower than otherwise with those costs being amortised over the period that they will be recoverable. The deferred amounts are recognised in the Statement of Financial Position as a reduction in life insurance liabilities and are amortised through the Statement of Comprehensive Income over the expected duration of the relevant policies.

The acquisition costs deferred are determined as the lesser of actual costs incurred and the allowance for the recovery of those costs from the premiums or policy charges (as appropriate for each policy class), subject to an overall limit that the value of future profits at inception cannot be negative (Acquisition losses will be recognised at inception to the extent the latter situation arises).

(i) Foreign Currency

The functional and presentational currency is New Zealand dollars (NZD). Foreign currency transactions are translated to New Zealand currency at the rates of exchange ruling at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the Statement of Comprehensive Income in the financial year in which the exchange rates change.

(j) Payables

Liabilities are measured at fair value and changes to those fair values are recognised as expenses (and in some cases revenues) in the Statement of Comprehensive Income for the period.

(k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of 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 cost of acquisition of an asset or as part of an item of expense;
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.

NOTE 2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The branch makes estimates and assumptions that affect the reported amounts of assets and liabilities at year end. Estimates and assumptions 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 areas where critical accounting estimates are applied are noted below.

(a) Life insurance contract liabilities

Life insurance contract liabilities are computed by suitably qualified personnel on the basis of actuarial methods, with due regard to relevant actuarial principles in accordance with the methods and assumptions disclosed in this financial report and the standards of the New Zealand Society of Actuaries. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written.

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

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

(b) Assets arising from reinsurance contracts

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

Edward Fabrizio is a fellow of the New Zealand Society of Actuaries. Edward Fabrizio is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

The amount of policy liabilities has been determined in accordance with the methods and assumptions disclosed in this financial report and are in compliance with the standards of the New Zealand Society of Actuaries and the Life Insurance Act 1908.

NOTE 3 ACTUARIAL ASSUMPTIONS AND METHODS

a) Policy Liabilities

The policy liabilities have been determined in accordance with applicable accounting and actuarial standards.

Life insurance contract liabilities have been calculated in a way that allows for the systematic release of planned margins as services are provided to policyholders and premiums are received – Margin on Services. Under this method, policy liabilities equal the amount, which together with future premiums and investment earnings will:

i) meet the expected payment of future benefits and expenses; and
ii) provide for the systematic release of profit as policy services are provided and income is received or recognised.

The major product groups are individual lump sum risk business and individual disability income business. There is also a small volume of group business and catastrophe business. The profit carrier used in order to achieve the systematic release of planned margins was inforce premium.

NOTE 3 ACTUARIAL ASSUMPTIONS AND METHODS continued

Policy liabilities for the majority of the business have been calculated on a projection basis, with the residual business being calculated by the "accumulation" method as permitted under NZ IFRS4. The result of using this method rather than the "projection" method required under NZ IFRS4 is not materially different and achieve the principals of the standard.

Policy liabilities under the accumulation method have been calculated as the sum of the provisions for:

i) Unearned premium,
ii) Level premium reserves for policies written on a level premium basis,
iii) Surrender values for policies that provide a surrender value,
iv) plus/minus a provision which adjusts the policy liability to give effect to the requirement for the systematic release of planned surplus and mostly represents recoverable deferred first and/or second year policy costs not matched by the corresponding premium income.

The amortisation of these costs was established by financial model projections of representative policy portfolios, allowing for the release of future profits in proportion to a "profit carrier" as required under NZ IFRS4.

In addition to the policy liabilities calculated under the projection and accumulation method were reserves for:

i) Incurred but not reported claims (IBNR)
ii) Accumulated experience rebates
iii) Reserves for expected future payments on reported disability income claims

(b) Solvency Requirement

These are amounts required to meet the prudential standards to provide protection to the policy owners against the impact of fluctuations and unexpected adverse experience of the business.

The methods and bases adopted for determining the solvency requirements are in accordance with New Zealand Society of Actuaries Solvency Standards.

Disclosure of Assumptions

(i) Discount Rates

Allowance for future interest rates of 6.00% pa (2008: 4.75%) is assumed

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

(ii) Inflation Rates

Allowance for future inflation of 2.75% pa (2008: 2.25%) is assumed

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

(iii) Future Expenses and Indexation

The allowance for future expenses was based on the branch's experience in 2009 as the best available estimate for 2010. Expenses are assumed to remain a stable percentage of in-force premiums over the life of the business. Benefits and premiums are assumed to increase by the rate of inflation, or by some other factor, where specified for the policies being reinsured.

NOTE 3 ACTUARIAL ASSUMPTIONS AND METHODS continued

(iv) Rates of Taxation

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

(v) Mortality and morbidity

Mortality: Tables derived from the NZ04 Insured Lives Tables with allowance for subsequent improvements in mortality, subdivided into smoker and non-smoker classes and adjusted to the classes of life insurance written.
Disability: Tables derived from the IAD89-93 and US 85 CIDA tables with adjustments to incidence rates and termination rates of claim.
Trauma: Trauma claims were derived from various studies of the incidence of the individual trauma conditions.

Adjustments made to the base table are made after consideration of:
i) type of product being written (policy terms, underwriting/claims approach, target market)
ii) actual experience investigations undertaken by the branch

(vi) Rates of discontinuance

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

Lump-sum Risk: 12.0% per annum (2008: 12.0%)
Disability Income: 15.0% per annum (2008: 15.0%)

Rates are based on market data as obtained from client companies. Comparison of this to actual branch experience does not indicate any significant differences.

(vii) Claim Delay

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

Claim Event		New Zealand	New Zealand
		2009	**2008**
Accidental Death		9.0 mths	9.0 mths
Death		4.5 mths	5.0 mths
Trauma		9.0 mths	9.0 mths
TPD		15.0 mths	18.0 mths
Disability Income		2.5 mths	2.5 mths

The above is based on actual experience of the branch.

NOTE 3 ACTUARIAL ASSUMPTIONS AND METHODS continued

Sensitivity analysis

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

Variable	Impact of movement in underlying variable
Interest Rates	A reduction in interest rates would result in an increase in policy liabilities and therefore reduce profit and shareholder equity. To the extent that assets and liabilities are closely matched any increase in liabilities as a result of a reduction in interest rates would also be accompanied by an increase in the value of the assets backing those liabilities, and therefore impact on overall profit and shareholder equity is minimal.
Inflation Rates	An increase in inflation rates would result in an increase in policy liability and therefore a reduction in profit and shareholder equity. To the extent that higher inflation will be accompanied by higher interest rates the effect on policy liabilities is minimal.
Expense Rates	Expenses as a proportion of inforce premium are relatively small and therefore any reasonable deviation on the level of expenses have little impact on profit and shareholder equity.
Mortality Rates	Higher mortality rates would lead to increase claim costs/policy liabilities, reducing profit and shareholder equity. Lower mortality rates would increase profit and shareholder equity.
Morbidity Rates	Higher incidence and duration of claim would lead to increase claim costs/policy liabilities, reducing profit and shareholders equity. Lower morbidity rates would increase profit and shareholder equity.
Discontinuance	Higher discontinuance rates may impact on the recoverability of deferred acquisition costs and therefore could impact on profit and shareholder equity if deferred acquisition costs were required to be written down to what would be recoverable. Lower discontinuance rates have no impact on profit or shareholder equity as they do not affect policy liabilities.

To the extent that future profit margins can absorb the effect of higher claims costs and premium rates are reviewable, then changes in assumptions have little, if any, impact on the policy liability apart from IBNR reserves.

The table below illustrates how changes in key assumptions would impact the reported profit and retained earnings of the branch as at year end (after tax and retrocession).

	Profit	Retained Profits
	NZ$	NZ$
Current Value	$3,614,462	$15,889,148
Mortality/Incidence +10%	$3,317,744	$15,492,430
Mortality/Incidence –10%	$4,011,180	$16,285,866
Termination rates –10%*	$1,941,507	$14,216,193
Termination rates +10%*	$5,287,418	$17,562,103

* This is approximated by increasing/decreasing disabled life reserve by +/-10%.

The impact of changes in interest rates, inflation, expenses and discontinuance rates have an immaterial impact on profit and equity for the current year.

NOTE 4 RISK MANAGEMENT POLICIES AND PROCEDURES

The financial condition and operating results of the Company are affected by a number of financial and non-financial risks. Financial risks include interest rate risk, currency risk, credit risk and liquidity risk. The non-financial risks are insurance risk, compliance risk and operational risk.

The Company's objective is to satisfactorily manage these risks within current resources. Various procedures are put in place to control and mitigate the risks faced by the Company depending on the nature of the risk.

Financial risks
Financial risks are controlled by the majority of investments being in government bonds in the same currency as the underlying policy liabilities, the balance of investments being held in cash assets. This significant reduces any interest rate, currency, credit and liquidity risk that the company may incur.

Non-Financial risks
Non-Financial risks are controlled through the use of:

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

Concentration of Insurance Risk
The branch's exposure to concentrations of insurance risk is mitigated as the branch has very little group business written out of New Zealand. The portfolio is made up of life reinsurance contracts as described under note 17. The portfolio is controlled and monitored by management. Management's review includes identifying and mitigating the concentrations of insurance risk by reviewing the type of business and also the geographical area of the risk.

NOTE 5 SUMMARY OF SHAREHOLDERS' INTEREST

The total interests of the shareholders in the profit after income tax and net assets of the branch are as follows:

	2009 $	2008 $
Profit After Income Tax	3,735,678	3,716,703
Retained Profits at the Beginning of the Year	11,621,496	7,904,793
Retained Profits at the End of the Year	15,357,174	11,621,496
Contributed Equity	532,000	532,000
Total Shareholders' Interest	15,889.174	12,153,496
Components of Shareholders' Interests		
- Shareholders' Capital	532,000	532,000
- Shareholders' Retained Profits (Non-Participating)	15,357,174	11,621,496
	15,889,174	12,153,496

EXPLANATORY NOTE:

Shareholders' access to the retained profits and shareholders' capital is restricted to the extent these moneys are required to meet solvency and capital adequacy requirements under Life Insurance Act 1908.

NOTE 6 RECONCILIATION TO THE LIFE INSURANCE ACT 1908 PROFIT AFTER TAX

(a) Allocation of Profit

As the branch does not have any participating business, all profit is allocated to shareholders.

As the branch does not have any participating business, the Companies Act 1993 results and the *Life Insurance Act* results are the same.

(b) Sources of the Profit :

	2009 $	2009 $
From life Insurance contracts		
- Non-Participating Business	3,735,678	3,716,703
Retained Profits at Beginning of the Year	11,621,496	7,904,793
Transfer (to)/from Shareholders' Fund		
- Non-Participating Business		
RETAINED PROFITS AT THE END OF THE YEAR	15,537,174	11,621,496
Components of Retained Profits		
- Shareholders (Non - Participating)	15,537,174	11,621,496

NOTE 7 MISCELLANEOUS DISCLOSURES

	2009 $	2008 $
Profit before income tax is arrived at after charging/(crediting) the following items:		
Investment management fees	59,706	78,046
Unrealised loss / (gain) on investments	129,613	(1,327,087)
Auditors' Remuneration		
Amounts received or due and receivable for audit fees by:		
- Auditors of the branch	10,535	52,089

The Branches auditor is Deloitte Touche Tohmatsu.

NOTE 8 REVENUE

	2009 $	2008 $
Life insurance contract premium revenue	35,727,250	32,773,798
Other revenue		
Exchange Gains /(Losses)	-	8,000
	-	8,000
Investment income		
Unrealised gains /(losses) on investment	(129,613)	1,327,087
Interest income	3,454,862	3,865,356
Realised losses	(1,330,599)	321,615
Investment income	1,994,650	5,514,058

NOTE 9 LIFE INSURANCE CLAIM EXPENSE

	2009 $	2008 $
Death & disability	21,026,142	18,369,454

NOTE 10 OTHER EXPENSES

	2009 $	2008 $
Policy Acquisition - Life Insurance contracts		
Commission	-	-
Policy Maintenance		
Commission	2,912,627	2,656,254
Other	3,020,669	2,517,390
Investment management	59,706	78,046
Total Administration Expenses	5,993,002	5,251,690

NOTE 11 COMPONENTS OF PROFITS

	2009 $	2008 $
Components of profit related to the movement in life insurance liabilities		
Planned margins of revenues over expenses released	2,134,925	2,014,300
Difference between actual and assumed experience	2,761,576	(1,255,090)
Investment earnings on assets in excess of Life Insurance policy liabilities	(1,160,823)	2,957,493
Profit/(loss) for the Year	3,735,678	3,716,703

NOTE 12 INCOME TAX

Note 12 a)

	2009 $	2008 $
Income tax expense		
Current tax	1,106,742	-
Deferred tax	-	-
Total tax expense charged to statement of comprehensive income	1,106,742	-
Reconciliation between net profit before tax and tax expense		
Net profit before tax	4,842,421	3,716,703
Tax at the effective tax rate of 30% (2007: 33%)	1,452,726	1,115,011
Permanent differences	(1,156,405)	(2,011,793)
Movement in deferred taxes	-	385,434
Less losses not recognised	810,421	511,348
Tax charge for the year	1,106,742	-

The net profit before tax as disclosed in the Statement of Comprehensive Income represents the net income which is taxable at the rate of 23% and which relates to profits attributable to shareholder assets.

At 31 December 2009 the company had carried forward tax losses of $5,226,025 available to offset future tax expense. These losses have not been recognised as deferred tax assets in the current or prior accounting years (2008 : $511,348 tax loss).

Note 12 b)

The movements in the provision for income tax during the period are as follows:

	2009 $	2008 $
Provision for Income Tax		
Opening balance	430,101	332,140
Income tax paid	1,520,000	109,038
Current tax	(735,584)	-
Assumed profits tax	-	(11,077)
(over)/under provision	(430,101)	-
Transferred to receivables	(784,416)	-
Closing balance	-	430,101

NOTE 13 OUTSTANDING PREMIUM & RECEIVABLES

	2009 $	2008 $
Outstanding Premiums	806,250	8,982,599
Other Receivables	1,833,667	1,084,103
	2,639,917	10,066,702
Receivables within 12 months	2,639,917	10,066,702
Receivables in more than 12 months	-	-
Total	2,639,917	10,066,702

NOTE 14 INVESTMENTS

	2009 $	2008 $
Debt securities		
National Government	62,750,391	47,850,478
Total debt securities	62,750,391	47,850,478
Expected to be realised within 12 months	-	26,297,358
Expected to be realised in more than 12 months	62,750,391	21,553,120
	62,750,391	47,850,478

The branch has deposited with the Public Trust of New Zealand, New Zealand government securities with a face value of $1,100,000 which are held as security to the branch's policyholders and form part of the Life Fund of the branch as required by the Life Insurance Act 1908. Investments held in the branch can only be used within the restrictions imposed under the Life Insurance Act.

Interest Rate and Market Risks

Interest bearing securities are government AAA investments. The average period of investment is 2.58 years (2008: 1.32 years) with maturities ranging from November 2011 to April 2013. Interest rates will vary in accordance with economic conditions. The average interest rate on these investments as at the end of the year is 6.22%pa (2008: 6.55 %pa). The investment assets of the branch are constantly monitored by management and GenRe Capital in Cologne, Germany to limit the effect of market fluctuations.

The branch does not invest in derivatives and the Board has not authorised the branch to conduct derivatives trading.

NOTE 15 TRADE AND OTHER PAYABLES

	2009 $	2008 $
Outstanding life contracts claims payable	6,519,941	4,514,632
Accruals	175,624	99,885
Amounts owing to Controlling Entities	7,008,159	3,620,052
Other Payables	-	192,033
	13,703,724	8,426,602

All of the above other payables are payable within 12 months

NOTE 16 POLICY LIABILITIES

(a) Reconciliation of movements in policy liabilities

	2009 $	2008 $
Life insurance contract liabilities		
Gross life insurance contract liabilities at 1 January	54,540,316	44,779,288
Increase/(decrease) in life insurance contract liabilities reflected in the Statement of Comprehensive Income	(271,197)	9,761,028
Gross life insurance contract liabilities at 31 December	54,269,119	54,540,316
Reinsurers' share of life insurance liabilities		
Opening balance at 1 January	(19,311)	63,439
Increase/(decrease) in reinsurance assets reflected in the Statement of Comprehensive Income	(38,336)	(82,750)
Gross reinsurers' share of life insurance liabilities at 31 December	(57,647)	(19,311)
Total life insurance contract liabilities	54,211,472	54,521,005
Net policy liabilities at 31 December		
Expected to be realised within 12 months	13,440,677	13,517,420
Expected to be realised in more than 12 months	40,770,795	41,003,585
	54,211,472	54,521,005

NOTE 16 POLICY LIABILITIES continued

(b) Components of net life insurance contract liabilities

	2009 $	2008 $
Future policy benefits	60,048,915	59,284,606
Future charges for acquisition costs	(5,837,443)	(4,763,601)
Total net life insurance contract liabilities	54,211,472	54,521,005

The branch uses the accumulation method of valuation. Policy liabilities have been determined in such a way that there is no change in the value of future profit margins compared with the basis used at the end of the prior year.

(c) Solvency requirements of the Life statutory funds

These are amounts required to meet the prudential standards specified by the Life Insurance Act 1908 to provide protection against the impact of fluctuations and unexpected adverse circumstances on the branch.
The methodology and bases for determining solvency requirements are in accordance with the requirements of Actuarial Standard , Solvency Standard, under the *Life Insurance Act 1908.*
The figures in the table below represent the number of times coverage for each fund of the assets available for solvency over the solvency reserve.

		2009 $	2008 $
SOLVENCY REQUIREMENT	A	70,693,395	63,251,139
Represented by:			
- Minimum Termination Value		54,269,119	54,540,316
- Other Liabilities		14,389,951	7,804,459
- Solvency Reserve	B	2,034,325	906,364
		70,693,395	63,251,139
ASSETS AVAILABLE FOR SOLVENCY RESERVE	C	15,938,984	12,153,496
Comprised of:			
- Excess of Net Policy Liability over Minimum Termination Value			
- Excess Assets		15,938,984	12,153,496
		15,938,984	12,153,496
Solvency Reserve % : (B / (A-B)) x 100		2.96%	1.45%
Coverage of Solvency Reserve : C/B		7.84	13.41

NOTE 17 SEGMENT INFORMATION

Business segments

The primary business segment is Life Risk insurance business, which offers protection for customers against the risk of premature death, disability, illness and other accidents. From a measurement perspective, contracts in this segment belong to non-participating life insurance contracts.

Details of types of business written and major products are as follows:

Type of Business	Major Products
Individual Lump Sum Risk	Term, Trauma, TPD
Individual Disability Income	Individual Disability Income
Other	Catastrophe Covers
Group Life	Term, TPD

Geographical segments

The branch operates in New Zealand.

NOTE 18 RELATED PARTIES

Ultimate Controlling Entity
General Reinsurance Life Australia Ltd, incorporated in Australia, is the head office of the Branch. General Reinsurance Life Australia Ltd is a wholly owned subsidiary of Kölnische Rückversicherungs - Gesellschaft AG. It provides the Branch with administration and management services. Genre Capital in Cologne, Germany is related to the branch through common ownership by Berkshire Hathaway.

Kölnische Rückversicherungs - Gesellschaft AG (KR) is the parent entity of General Reinsurance Life Australia Ltd. Retrocession premium is due to, and claims from, Kölnische Rückversicherungs-Gesellschaft AG.

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

Directors
The names of each person holding the position of Director of General Reinsurance Life Australia Ltd during the financial year are Messrs. A.G. Brown, R.E. Deane, K.W.Droste, K.J.McCann, F.A. McDonald, M.L.C.Molesworth.

Loans to Directors
There were no loans to directors during the year.

Directors' Shareholdings / Dividends

No dividends were paid to the directors during the financial year.

Related Entities

i) Retrocession Transactions

The Branch has in place surplus and stop loss retrocession agreements with Kölnische Rückversicherungs-Gesellschaft AG ("KR").

ii) Management Expenses

The transactions with General Reinsurance Life Australia Ltd "(GRLA)" include all expenses as the expenses are apportioned by the Head Office to the Branch.

Transactions under these agreements and the amounts due to or from head office and associated entities are as follows:

	2009 KR $	2009 GRLA $	2008 KR $	2008 GRLA $
Retrocession premiums	6,070,234	-	1,268,654	-
Management expenses incurred	-	937,925	-	2,351,398
Net amount owing to related parties	6,070,234	937,925	1,268,654	2,351,398

Commonly Controlled Entity
All dealings with the parent entity and the related entity are in the ordinary course of business and on normal commercial terms and conditions.

Investment management expenses amounting to $30,813 ($50,226 in 2008) were paid to Genre Capital, Germany for investment services rendered.

GENERAL REINSURANCE LIFE AUSTRALIA LTD – NEW ZEALAND LIFE BRANCH
APPOINTED ACTUARY'S STATEMENT

In accordance with the Life Insurance Act 1908 I have investigated the financial condition of the Branch at 31 December 2009. This investigation included making a valuation of the Branch's policy liabilities and assessing the solvency requirements of the Branch.

As a result of that investigation, it is my opinion that:

(a) the value of the policy liabilities of the Branch has been determined in accordance with Actuarial Standard "Valuation of Policy Liabilities"

(b) the solvency requirement of the Branch has been determined in accordance with Actuarial Standard "Solvency Standard";

(c) the allocation and distribution of the profits of the Statutory Funds of the Branch has been made in accordance with the Life Insurance Act 1908 and the Constitution of the Branch; and

(d) proper records have been kept by the Branch from which its policy liabilities and solvency position were able to be properly determined.

Declaration: As required under The Society of Actuaries of New Zealand's Code of Professional Conduct, I declare that I am a Fellow of the Society of Actuaries New Zealand and as an employee of General Reinsurance Life Australia Ltd my remuneration from my employer contains an element which is contingent on the financial performance of General Reinsurance Life Australia and the Gen Re group.

Edward Fabrizio
Appointed Actuary

24 March 2010

Deloitte.

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

We have audited the accompanying annual report of General Reinsurance Life Australia Ltd – New Zealand Life Branch, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income and statement of changes in equity for the year ended on that date, a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 24.

Directors' Responsibility for the Annual Report

The directors of the company are responsible for the preparation and fair presentation of the annual report in accordance with New Zealand law and generally accepted accounting practice. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual report.

Our firm carries out other assurance engagements for General Reinsurance Life Australia Ltd. The firm has no other relationship with or interests in General Reinsurance Life Australia Ltd.

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

Member of
Deloitte Touche Tohmatsu

Auditor's Opinion

We have obtained all the information and explanations we have required.

In our opinion:

1) the annual report of General Reinsurance Life Australia Ltd – New Zealand Life Branch:

   a) gives a true and fair view of General Reinsurance Life Australia Ltd – New Zealand Life Branch's financial position as at 31 December 2009 and of its performance for the year ended on that date;

   b) complies with generally accepted accounting practice in New Zealand; and

2) proper accounting records have been kept by General Reinsurance Life Australia Ltd – New Zealand Life Branch, as far as appears from our examination of those records.

Fundamental Uncertainty

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

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Stuart Alexander
Partner
Chartered Accountants
Sydney, 21 April 2010

General Reinsurance Life Australia Ltd
ABN:73 002 166 869

Financial Report 2009

Gen Re™ | LifeHealth®

A Berkshire Hathaway Company

CONTENTS

BOARD AND OFFICERS

Board of Directors
F.A. McDonald, Chairman
A.G. Brown
R.E. Deane
K.W. Droste
K.J. McCann
M.L.C. Molesworth

Management
M.L.C.Molesworth, Managing Director
E.Fabrizio, Deputy General Manager and Chief Actuary
M.J. Brent, Chief Financial Officer
J Dorter, Head of Client Services
J Louw, Head of Account Management
M Ramjan, Head of Underwriting
R Johnson, Technical Claims Manager

Chief Medical Officer
R.J. Mulhearn, FRCP FRACP

Auditor
S.J. Alexander, Deloitte Touche Tohmatsu

Head Office
General Reinsurance Life Australia Ltd

Principal place of business and registered office:
Level 24, 123 Pitt Street, Sydney, NSW 2000
Telephone (02) 8236 6100 Facsimile (02) 9222 1540

A.B.N. 73 002 166 869

The directors present their report together with the financial report of General Reinsurance Life Australia Ltd for the year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The directors of the Company at any time during or since the end of the financial year are:

Name and Qualifications	*Age*	*Experience and Special Responsibilities*
Mr F Allan McDonald B.Ec, FCPA, FCIS, FAIM Chairman Non-Executive Director	70	Mr McDonald is also a director of Babcock and Brown Japan Property Management Limited, Billabong International Ltd, General Reinsurance Australia Ltd, Brookfield Multiplex Funds Management Limited, OCA Services Pty Ltd, O'Connell Street Associates Pty Ltd, Ross Human Directions Ltd and Securities Exchange Guarantee Corporation Ltd. He has 45 years industry experience. Member of the Board Audit Committee. Director since 11 May 1995, Appointed Chairman 13 March 1996.
Mr Allan Giffen Brown FCA Non-Executive Director	72	Mr Brown has 47 years experience as a chartered accountant. He is a director of Edward H. O'Brien Industries Pty Ltd, Business Print (Australia) Pty Ltd. He is a Fellow of The Institute of Chartered Accountants in Australia. He was an audit partner and managing partner of various audit firms with expertise in audit management, financial management, investigations and company reconstructions. Director since July 2004, Chairman of the Audit Committee since October 2004.
Mr Roy Edward Deane M. Sc., FIA, FIAA Non-Executive Director	64	Mr Deane has 39 years actuarial, general management and board experience in the life insurance industry. Fellow of the Institute of Actuaries and Fellow of the Institute of Actuaries of Australia. Member of the Board Audit Committee. Appointed as Managing Director 1 January 1989. Resigned as Managing Director 30 June 1999. Reappointed as a director 6 December 2000.
Dr K Wolfgang Droste Doctorate Mathematics Non-Executive Director	56	Dr Droste is a director of General Re Africa Ltd. He is Regional Manager, Asia Pacific of General Reinsurance Group with 26 years industry experience. Member of the Board Audit Committee. He is a qualified actuary. Appointed 13 September 1999.

Mr Michael L C Molesworth Managing Director	60	Mr Molesworth was appointed Managing Director of the Company on 30 June 1999. He has 40 years industry experience holding senior technical roles including Assistant General Manager BMA from 1979, Assistant General Manager Cologne Life Reinsurance from 1988, and Deputy General Manager from 1997. Appointed 30 June 1999. Resigned from the audit committee 9 November 2006.
Ms Kathryn Jane McCann B.App.Sci (Computing Science) MBA, MAICD Non-Executive Director	48	Ms McCann has 26 years experience in the finance and business management industry. She is a director of Urbis Pty Ltd, SCEGGS Darlinghurst Ltd and General Reinsurance Australia Ltd. She holds a Master of Business Administration and held the position of Principal of a major management consulting firm up to 2002. She was appointed a director 2 August 2006 and a member of the Board Audit Committee 9 November 2006.

Directors' Meetings

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 are:

Director	*Directors' Meetings*		*Board Audit Committee*	
	A	B	A	B
Mr F A McDonald	4	4	2	2
Mr A.G. Brown	4	4	2	2
Mr R E Deane	4	4	2	2
Mr M L C Molesworth	4	4	-	-
Dr K W Droste	2	4	1	2
Ms K J McCann	4	4	2	2

A - 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 the Company Secretaries during or since the end of the financial year are set out hereunder:

Name and Qualifications	*Age*	*Experience and Special Responsibilities*
Michael J Brent FCA, GAICD, B. Fin Admin	53	Mr Brent has 31 years experience commencing his career with KPMG in 1979. He was appointed Chief Financial Officer and Company Secretary in 2008. He is a Fellow of the Institute of Chartered Accountants in Australia and a Member of the Institute of Company Directors. Mr Brent is a director of Sir Eric Woodward Memorial School Association.

Name and Qualifications	*Age*	*Experience and Special Responsibilities*
Daryl J Vella B.Ec, CA Appointed 11 May 2009	38	Mr Vella has 15 years experience in the insurance industry both within Australia and the U.K., commencing his career with Coopers & Lybrand in 1994. He was appointed Financial Controller in 2008 and Company Secretary in 2009. He is an Associate of the Institute of Chartered Accountants in Australia.

Principal Activities

The principal activity of the Company during the year was the conduct of life reinsurance business.

Review of Operations

Operating Results

The Company has an earned profit after tax of $6.9 million (2008: $18.4 million) . Retained profits held at the end of the year for the Company were $61.3 million (2008: $57.3 million).

During 2009 $10.2 million (2008: $11.7 million) in new annual premiums were written and in force annual premiums increased from $173.0 million in 2008 to $175.2 million in 2009. Realised net investment income was $11.2 million in 2009 (2008: $15.5 million). Net unrealised investment losses for the year were $4.0 million (2008: $7.2 million gain).

Dividends

A dividend of $2.9 million, fully franked (2008: $2.9 million, fully franked) has been paid.

Business Review

The Company had another very successful year to continue the excellent results from last year.

Our emphasis on risk management techniques, particularly in the area of disability claims and client training has assisted the development of mortality and disability experience across all our markets. Our focus remains on the reinsurance of individual protection products and this is a key to our success.

State of Affairs

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

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any 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, in subsequent years.

Class Order

The Company is an entity of the kind referred in the ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have to be rounded off to the nearest one thousand dollars, unless otherwise stated.

Indemnification of Officers and Auditors

General Re Corporation (USA) advised the directors that from 2 August 2006, General Re Corporation (USA) will provide indemnification to each of the directors of the Company, as part of the group's global policy.

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

Likely Developments

The Company will continue to focus on profitability, product risk management and high quality technical advice to provide a wide range of value-added services to our clients and the market.

Auditor Independence

The Auditors' Independence Declaration is included on page 7.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

F.A. McDonald
Chairman

M.L.C.Molesworth
Principal Officer

Dated 24 March 2010

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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The Directors
General Reinsurance Life Australia Ltd
Level 24, 123 Pitt Street
Sydney, NSW 2000

24 March 2010

Dear Board Members

General Reinsurance Life Australia Ltd

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

As lead audit partner for the audit of the financial statements of General Reinsurance Life Australia Ltd for the financial year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S Alexander
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

GENERAL REINSURANCE LIFE AUSTRALIA LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	2009 $'000	2008 $'000
Life insurance premium revenue	8	159,204	154,456
Outward reinsurance expense		(16,733)	(16,806)
Net premium revenue		142,471	137,650
Investment income	8	7,153	22,705
Other revenue	8	68	124
Net revenue		**149,692**	**160,479**
Life insurance claims expense	9	(111,171)	(98,896)
Reinsurance recoveries		446	1,747
Net claim expense		(110,725)	(97,149)
Other expenses	10	(12,281)	(11,250)
Change in life insurance contract policy liabilities	17	(16,244)	(26,348)
Change in life investment contract policy liabilities	17	(401)	(695)
Net Claims and Expenses		**(139,651)**	**(135,442)**
Profit before income tax		**10,041**	**25,037**
Income tax expense	12(a)	(3,148)	(6,628)
Net Profit		6,893	18,409
Other comprehensive income		-	-
Profit for the year attributable to the members of General Reinsurance Life Australia Ltd after tax		**6,893**	**18,409**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

GENERAL REINSURANCE LIFE AUSTRALIA LTD
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Issued Capital 2009 $'000	Retained Earnings 2009 $'000	Total 2009 $'000
Balance at 1 January 2009	19,632	57,346	76,978
Comprehensive income for the year	-	6,893	6,893
Dividends paid	-	(2,920)	(2,920)
Balance at 31 December 2009	**19,632**	**61,319**	**80,951**

	Issued Capital 2008 $'000	Retained Earnings 2008 $'000	Total 2008 $'000
Balance at 1 January 2008	19,632	41,857	61,489
Comprehensive income for the year	-	18,409	18,409
Dividends paid	-	(2,920)	(2,920)
Balance at 31 December 2008	**19,632**	**57,346**	**76,978**

The above Statement of Movements in Equity should be read in conjunction with the accompanying notes.

GENERAL REINSURANCE LIFE AUSTRALIA LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	2009 $'000	2008 $'000
ASSETS			
Cash and cash equivalents	19(a)	43,163	40,951
Outstanding premiums and receivables	13	22,638	37,212
Investments	14	248,970	213,137
Deferred tax asset	12(d)	1,184	-
TOTAL ASSETS		315,955	291,300
LIABILITIES			
Trade and other payables	15	56,086	49,381
Current tax liability	12(b)	-	1,374
Deferred tax liability	12(c)	564	1,418
Provisions	16	2,174	1,775
Life insurance contract policy liabilities	17(a)	167,716	151,611
Life investment contract policy liabilities	17(a)	8,464	8,763
TOTAL LIABILITIES		235,004	214,322
NET ASSETS		**80,951**	**76,978**
EQUITY			
Issued Capital	22	19,632	19,632
Retained Profits		61,319	57,346
TOTAL EQUITY		**80,951**	**76,978**

The Statement of Financial Position should be read in conjunction with the accompanying notes.

GENERAL REINSURANCE LIFE AUSTRALIA LTD
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	2009 $'000	2008 $'000
Cash flows from operating activities:			
Premiums received		157,993	105,276
Fees received		60	126
Interest received		17,242	14,494
Policy payments		(104,890)	(86,152)
Commission paid		(2,430)	(1,755)
Income tax paid		(7,241)	(6,822)
Payments to employees and suppliers		(11,842)	(8,777)
Net cash provided by operating activities	19 (c)	48,892	16,390
Cash flows from investing activities:			
Proceeds from maturity of debt securities		136,611	52,146
Purchase of debt securities		(180,072)	(61,287)
Net cash used in investing activities		(43,461)	(9,141)
Cash flows from financing activities:			
Dividends paid		(2,920)	(2,920)
Net cash used in financing activities		(2,920)	(2,920)
Net change in cash and cash equivalents held		2,511	4,329
Effect of exchange rate changes on the balance of cash held in foreign currencies		(299)	(387)
Cash and cash equivalents at the beginning of the year		40,951	37,009
Cash and cash equivalents at the end of the year	19(a)	**43,163**	**40,951**

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

This general purpose financial report covers General Reinsurance Life Australia Ltd (the Company) as a single entity that operates in the life insurance industry and has been prepared in accordance with the Life Insurance Act 1995 (Life Act), Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Accounting interpretations corresponding to the interpretations approved by the International Accounting Standards Board (IASB) and the *Corporations Act 2001.*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the financial report of General Reinsurance Life Australia Ltd comply with International Financial Reporting Standards (IFRS).

This financial report was authorised for issue by the directors on 24 March 2010.

This financial report is prepared in accordance with the fair value basis of accounting with certain exceptions as described in the accounting policies below.

The preparation of this financial report is in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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.

The Company is an entity of the kind referred in the ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have to be rounded off to the nearest one thousand dollars, unless otherwise stated.

Adoption of new and revised Accounting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in material changes to the Company's accounting policies.

At the date of authorisation of the financial report, the following Standards and Interpretations, relevant to the Company, were in issue but not yet effective:

	Title	Operative Date
AASB 124	Related Party Disclosures (2009)	1 January 2011
AASB 9	Financial Instruments	1 January 2013

These amendments are not effective for the annual reporting period ended 31 December 2009 and have not been applied in preparing this financial report. The adoption of these Standards in future periods will have no material impact on the financial report of the Company.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(a) Principles for Life Insurance Business

The life insurance operations of the Company are conducted within separate funds as required by the *Life Act* and are reported in aggregate with the shareholders' fund in the statement of comprehensive income, statement of financial position and statement of cash flows of the Company. The life insurance operations of the Company comprise the selling and administration of life insurance and life investment contracts.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). Insurance contracts include those where the insured benefits are payable on the occurrence of a specified event such as death, injury or disability caused by accident or illness. The insured benefits are not linked to the market value of the investments held by the Company, and the financial risks are substantially borne by the Company. Life insurance contract business written by the Company is non-participating and all profits and losses are allocated to the shareholders. Any products sold that do not meet the definition of a life insurance contract are classified as life investment contracts.

Life investment contracts include investment-account contracts only. The Company has one investment account contract that is closed to new business. The underlying assets are registered in the name of the Company. Interest is determined by the cedant annually and is credited to the investment balance similar to a bank account.

The Company derives no fee income from the administration of investment account policies and funds.

(b) Revenue

Premiums are recognised as revenue on an accruals basis, based on current experience. Refunds of premiums arising under contractual obligations are accounted for as a reduction in premium income. Deposit components of life insurance contracts are not revenue and are treated as movements in life insurance liabilities.

(c) Claims Expense

Life insurance contracts
Claims incurred relate to life insurance contracts (providing services and bearing risks including protection business) and are treated as expenses. Claims are recognised when the liability to the policy owner under the policy contract has been established. Where data up to balance date is not available from cedants, best estimate accruals are made based on historical data and known business trends. Reserves for claims incurred but not reported and claims considered likely to arise are included in the actuarial valuation of policy liabilities (See Note 3). Withdrawal components of life insurance contracts are not expenses and are treated as movements in life insurance contract liabilities.

Life investment contracts
There is no claims expense in respect of life investment contracts. Surrenders and withdrawals, which relate to life investment contracts are treated as a movement in life investment contract liabilities. Surrenders are recognised when the policyholder formally notifies of their intention to end the policy previously contracted to. All claims incurred by the Company are considered to be expenses and have been recognised in the statement of comprehensive Income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(d) Basis of Expense Apportionment

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

Policy acquisition costs are the fixed and variable costs of acquiring new business. They include commission and similar distribution costs. The actual acquisition costs incurred are recorded in Note 10.

Apportionment under Part 6, Division 2 of the Life Act has been made as follows:

- Expenses directly identifiable with the Statutory Funds and the Shareholder's Fund have been recorded in the appropriate fund as incurred.
- Other expenses, including Auditor's Fees and Directors' Fees were apportioned between the Statutory Funds and the Shareholders' Fund on a predetermined rate based on the estimated time spent on matters relating to each fund.

(e) Policy Liabilities

Policy liabilities consist of life insurance contract liabilities and life investment contract liabilities.

Life Insurance Contract liabilities
The value of life insurance contract liabilities is calculated using the Margin on Services methodology. Under this methodology, planned profit margins and an estimate of future liabilities are calculated separately for each related product group using best estimate assumptions at each reporting date. Profit margins are released over each reporting period in line with the services that have been provided. The balance of the planned profits is deferred by including them in the value of policy liabilities. Further details of the actuarial assumptions used in these calculations are set out in note 3.

Life Investment contract liabilities
Life investment contract liabilities are valued at fair value, which is based on the valuation of the linked assets subject to a minimum of the current surrender value.

(f) Assets backing policy liabilities

The Company has determined that all assets held within its statutory funds are assets backing policy liabilities. As all assets of the Company are managed under the Company's Risk Management Strategy and Framework on a fair value basis and are reported to the Board on this basis, all assets have been valued at fair value through the statement of comprehensive income where available.

Financial assets
Financial assets are classified as fair value through the statement of comprehensive income. Initial recognition is at cost and subsequent measurement is at fair value. Unrealised gains and losses on subsequent measurement to fair value are recognised in the statement of comprehensive income. Fair value is determined as follows:

- Cash and cash equivalents are carried at face value of the amounts deposited or drawn. The carrying amounts of cash and cash equivalents approximate to their fair value. For the purposes of the cash flow statement, cash and cash equivalents include cash on hand.
- Fixed interest securities at fair values represented by quoted market value at balance date.
- Receivables are carried at book value, which is the best estimate of fair value at balance date.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(g) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and assessable temporary differences to measure the deferred tax asset or liability. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company made an election with effect from 1 January 2001 that subsection 148(2) of the Income Tax Assessment Act 1936 applies to insurance business retroceded overseas.

(h) Deferred Acquisition Costs

Life insurance contracts
The costs incurred in acquiring specific life insurance contracts include commission payments and similar distribution costs.
The Appointed Actuary, in determining the policy liabilities, takes account of the deferral and future recovery of acquisition costs, resulting in policy liabilities being lower than otherwise with those costs being amortised over the period that they will be recoverable. The deferred amounts are recognised in the statement of financial position as a reduction in life insurance liabilities and are amortised through the statement of comprehensive income over the expected duration of the relevant policies.

The acquisition costs deferred are determined as the lesser of actual costs incurred and the allowance for the recovery of those costs from the premiums or policy charges (as appropriate for each policy class), subject to an overall limit that the value of future profits at inception cannot be negative (Acquisition losses will be recognised at inception to the extent the latter situation arises).

Life investment contracts
The investment account business is closed to new business. Therefore commissions incurred relates wholly to the maintenance of the business. There is no deferral of investment account commission.

(i) Foreign Currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of comprehensive income in the financial year in which the exchange rates change.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(j) Provision for Employee Entitlements

Salaries and Annual Leave
Liabilities for salaries and annual leave are recognised, and are measured, as the amount unpaid at the reporting date at future pay rates in respect of employees' services at the balance date.

Long Service Leave
A liability for long service leave is recognised, and is measured, as the present value of expected future payments to be made in respect of employees' services. Consideration is given to expected future wage and salaries levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on government guaranteed securities with terms to maturity that match, as closely as possible, the estimated cash outflows.

(k) Payables

Liabilities are measured at fair value and changes to those fair values are recognised as expenses (and in some cases revenues) in the statement of comprehensive income for the period.

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of 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 cost of acquisition of an asset or as part of an item of expense;
ii) for receivables and payables which are recognised inclusive of GST;
iii) cash flows are inclusive of the GST paid and received.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

NOTE 2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities at year end. Estimates and assumptions 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 areas where critical accounting estimates are applied are noted below.

(a) Life insurance contract liabilities

Life insurance contract liabilities are computed by suitably qualified personnel on the basis of actuarial methods, with due regard to relevant actuarial principles as required by Life Prudential Standard 1.04 – Valuation of Policy Liabilities, issued by the Australian Prudential Regulation Authority. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written.

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

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

(b) Assets arising from reinsurance contracts

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

NOTE 3 ACTUARIAL ASSUMPTIONS AND METHODS

Edward Fabrizio, the Company's Appointed Actuary, is a fellow of the Institute of Actuaries of Australia. He is satisfied as to the accuracy of the data upon which policy liabilities have been determined.

The amount of policy liabilities has been determined in accordance with the methods and assumptions disclosed in these financial statements and with the Life Insurance Prudential Standards of the Australian Prudential Regulation Authority (APRA) as required under the Life Insurance Act 1995.

a) Policy Liabilities

The policy liabilities have been determined in accordance with applicable accounting and actuarial standards. Policy liabilities for life insurance contracts are valued in accordance with AASB 1038 and LPS 1.04, whereas life investment contracts are valued in accordance with AASB 139 and LPS 1.04.

Life insurance contract liabilities have been calculated in a way that allows for the systematic release of planned margins as services are provided to policyholders and premiums are received – Margin on Services. Under this method, policy liabilities equal the amount, which together with future premiums and investment earnings will:

i) meet the expected payment of future benefits and expenses; and
ii) provide for the systematic release of profit as policy services are provided and income is received or recognised.

The major product groups are individual lump sum risk business and individual disability income business. There is also a small volume of group business and investment account business. The profit carrier used in order to achieve the systematic release of planned margins was inforce premium.

Policy liabilities for the majority of the business have been calculated on a projection basis, with the residual business being calculated by the "accumulation" method as permitted under LPS 1.04. The result of using this method rather than the "projection" method required under AASB1038 is not materially different and achieve the principals of the standard.

NOTE 3 ACTUARIAL ASSUMPTIONS AND METHODS continued

Policy liabilities under the accumulation method have been calculated as the sum of the provisions for:

i) Unearned premium,
ii) Level premium reserves for policies written on a level premium basis,
iii) Surrender values for policies that provide a surrender value,
iv) plus/minus a provision which adjusts the policy liability to give effect to the requirement for the systematic release of planned surplus and mostly represents recoverable deferred first and/or second year policy costs not matched by the corresponding premium income.

The amortisation of these costs was established by financial model projections of representative policy portfolios, allowing for the release of future profits in proportion to a "profit carrier" as required under LPS 1.04.

In addition to the policy liabilities calculated under the projection and accumulation method were reserves for:

i) Incurred but not reported claims (IBNR)
ii) Accumulated experience rebates
iii) Reserves for expected future payments on reported disability income claims

(b) Solvency Requirement

These are amounts required to meet the Life Insurance Prudential Standards to provide protection for the policy owners against the impact of fluctuations and unexpected adverse experience of the business.

The methods and bases adopted for determining the solvency requirements are in accordance with Prudential Standard LPS 2.04 Solvency Standard issued by the Australian Prudential Regulation Authority.

Disclosure of Assumptions

(i) Discount Rates

Australia : Allowance for future interest rates of 5.50% pa (2008: 4.25%) is assumed
New Zealand: Allowance for future interest rates of 6.00% pa (2008:4.75%) is assumed

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

(ii) Inflation Rates

Australia : Allowance for future inflation of 2.75% pa (2008: 2.25%) is assumed
New Zealand: Allowance for future inflation of 2.75% pa (2008: 2.25%) is assumed

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

(iii) Future Expenses and Indexation

The allowance for future expenses was based on the Company's experience in 2009 as the best available estimate for 2010. Expenses are assumed to remain a stable percentage of in-force premiums over the life of the business. Benefits and premiums are assumed to increase by the rate of inflation, or by some other factor, where specified for the policies being reinsured.

NOTE 3 ACTUARIAL ASSUMPTIONS AND METHODS continued

(iv) Rates of Taxation

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

(v) Mortality and morbidity

Mortality: Tables derived from the IA95-97 Insured Lives Tables with allowance for subsequent improvements in mortality, subdivided into smoker and non-smoker classes and adjusted to the classes of life insurance written.
Disability: Tables derived from the IAD89-93 and US 85 CIDA tables with adjustments to incidence rates and termination rates of claim.
Trauma: Trauma claims were derived from various studies of the incidence of the individual trauma conditions.

Different claim rates are used for Australian business and Overseas business.

Adjustments made to the base table are made after consideration of:
i) type of product being written (policy terms, underwriting/claims approach, target market)
ii) actual experience investigations undertaken by the Company

(vi) Rates of discontinuance

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

Lump-sum Risk: 12.0% per annum (2008: 12.0%)
Disability Income: 15.0% per annum (2008: 15.0%)

Same discontinuance rates were used for Australia and Overseas business.
Rates are based on market data as obtained from client companies. Comparison of this to actual company experience does not indicate any significant differences.

(vii) Surrender values

For the portfolio of Investment Account business the liability adopted is based on the account values as advised by the cedant with some adjustments to bring it up to the valuation date.

(viii) Claim Delay

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

Claim Event	Australia 2009	Australia 2008	New Zealand 2009	New Zealand 2008
Accidental Death	9.0 mths	9.0 mths	9.0 mths	9.0 mths
Death	4.5 mths	5.0 mths	4.5 mths	4.5 mths
Trauma	9.0 mths	9.0 mths	9.0 mths	9.0 mths
TPD	15.0 mths	18.0 mths	15.0 mths	18.0 mths
Disability Income	2.5 mths	2.5 mths	2.5 mths	2.5 mths

The above is based on actual experience of the Company.

NOTE 3 ACTUARIAL ASSUMPTIONS AND METHODS continued

Sensitivity analysis

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

Variable	**Impact of movement in underlying variable**
Interest Rates	A reduction in interest rates would result in an increase in policy liabilities and therefore reduce profit and shareholder equity. To the extent that assets and liabilities are closely matched any increase in liabilities as a result of a reduction in interest rates would also be accompanied by an increase in the value of the assets backing those liabilities, and therefore impact on overall profit and shareholder equity is minimal.
Inflation Rates	An increase in inflation rates would result in an increase in policy liability and therefore a reduction in profit and shareholder equity. To the extent that higher inflation will be accompanied by higher interest rates the effect on policy liabilities is minimal.
Expense Rates	Expenses as a proportion of inforce premium are relatively small and therefore any reasonable deviation on the level of expenses have little impact on profit and shareholder equity.
Mortality Rates	Higher mortality rates would lead to increase claim costs/policy liabilities, reducing profit and shareholder equity. Lower mortality rates would increase profit and shareholder equity.
Morbidity Rates	Higher incidence and duration of claim would lead to increase claims costs/policy liabilities, reducing profit and shareholders equity. Lower morbidity rates would increase profit and shareholder equity.
Discontinuance	Higher discontinuance rates may impact on the recoverability of deferred acquisition costs and therefore could impact on profit and shareholder equity if deferred acquisition costs were required to be written down to what would be recoverable. Lower discontinuance rates have no impact on profit or shareholder equity as they do not affect policy liabilities.

To the extent that future profit margins can absorb the effect of higher claims costs and premium rates are reviewable, then changes in assumptions have little, if any, impact on the policy liability apart from IBNR reserves.

The table below illustrates how changes in key assumptions would impact the reported profit and retained earnings of the Company as at year end (after tax and retrocession).

	Profit	**Retained Earnings**
	A$'000	A$'000
Current Value	6,893	61,319
Mortality/Incidence +10%	4,829	59,255
Mortality/Incidence –10%	8,957	63,383
Termination rates –10%*	187	54,613
Termination rates +10%*	13,600	68,025

* This is approximated by increasing/decreasing disabled life reserve by +/-10%.

The impact of changes in interest rates, inflation, expenses and discontinuance rates have an immaterial impact on profit and equity for the current year.

NOTE 4 RISK MANAGEMENT POLICIES AND PROCEDURES

The financial condition and operating results of the Company are affected by a number of financial and non-financial risks. Financial risks include interest rate risk, currency risk, credit risk and liquidity risk. The non-financial risks are insurance risk, compliance risk and operational risk.

The Company's objective is to satisfactorily manage these risks within current resources. Various procedures are put in place to control and mitigate the risks faced by the Company depending on the nature of the risk.

Financial risks

Financial risks are controlled by the majority of investments being in government bonds in the same currency as the underlying policy liabilities. The balance of investments are being held in cash assets. This significantly reduces any interest rate, currency, credit and liquidity risks that the Company may incur.

Non-Financial risks

Non-Financial risks are controlled through the use of:

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

Concentration of Insurance Risk

The Company's exposure to concentrations of insurance risk is mitigated as the Company has very little group business written out of Australia and New Zealand. The portfolio is controlled and monitored by management. Management's review includes identifying and mitigating the concentrations of insurance risk by reviewing the type of business and also the geographical area of the risk.

NOTE 5 SUMMARY OF SHAREHOLDER'S INTEREST

The total interests of the shareholder in the profit after income tax and net assets of the Company are as follows:

	Statutory Funds 2009 $'000	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Funds 2008 $'000	Shareholders Fund 2008 $'000	Total 2008 $'000
Profit After Income Tax	6,495	398	6,893	17,634	775	18,409
Retained Profits at the Beginning of the Year	55,521	1,825	57,346	40,887	970	41,857
Transfers of Profits between Funds	(3,000)	3,000	-	(3,000)	3,000	-
Dividends Provided for or Paid	-	(2,920)	(2,920)	-	(2,920)	(2,920)
Retained Profits at the End of the Year	59,016	2,303	61,319	55,521	1,825	57,346
Contributed Equity	7,000	12,632	19,632	7,000	12,632	19,632
Total Shareholder's Interest	66,016	14,935	80,951	62,521	14,457	76,978
Components of Shareholder's Interests in Statutory Funds (1)						
- Shareholder's Capital	7,000			7,000		
- Shareholder's Retained Profits (Non-Participating)	59,016			55,521		
	66,016			62,521		

EXPLANATORY NOTE:

(1) Shareholder's access to the retained profits and shareholder's capital is restricted to the extent these monies are required to meet solvency and capital adequacy requirements under the Life Insurance Prudential Standards.

NOTE 6 RECONCILIATION TO THE LIFE INSURANCE ACT 1995 OPERATING PROFIT AND RETAINED PROFIT OF THE *STATUTORY FUNDS*

(a) Allocation of Profit after tax

As the Company does not have any participating business, all profit after tax is allocated to the shareholder.

(b) Distribution of Retained Profits

Distribution of profits to the shareholder is governed by the requirements of Section 62 of the Life Act and the approval of the Appointed Actuary. The Company has complied with the applicable provisions of Part 4 Division 6 of the Life Act and the provisions governing distribution of profit in its constitution.

(c) Sources of the Profit :	Statutory Fund1 2009 $'000	Statutory Fund2 2009 $'000	Total 2009 $'000	Statutory Fund1 2008 $'000	Statutory Fund2 2008 $'000	Total 2008 $'000
From life Insurance contracts						
- Non-Participating Business	3,591	2,904	6,495	15,217	2,417	17,634
Retained Profits at Beginning of the Year	45,659	9,862	55,521	33,442	7,445	40,887
Transfer (to)/from Shareholders' Fund						
- Non-Participating Business	(3,000)	-	(3,000)	(3,000)	-	(3,000)
RETAINED PROFITS AT THE END OF THE YEAR	46,250	12,766	59,016	45,659	9,862	55,521
Components of Retained Profits						
- Shareholders (Non - Participating)	46,250	12,766	59,016	45,659	9,862	55,521

NOTE 7 MISCELLANEOUS DISCLOSURES

	Statutory Funds 2009 $'000 Life Insurance Contracts	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Funds 2008 $'000 Life Insurance Contracts	Shareholders Fund 2008 $'000	Total 2008 $'000
Profit before income tax is arrived at after charging/(crediting) the following items:						
Unrealised gain/(loss) on investments	(3,529)	(521)	(4,050)	6,707	530	7,237
Realised losses on maturity of investments	(3,578)	-	(3,578)	(406)	(50)	(456)

Auditors' Remuneration

	Statutory Funds 2009 $	Shareholders Fund 2009 $	Total 2009 $	Statutory Funds 2008 $	Shareholders Fund 2008 $	Total 2008 $
Amounts received or due and receivable for audit fees by:						
- Auditors of the Company	87,271	6,947	94,218	150,284	38,848	189,132

NOTE 8 REVENUE

	Statutory Funds 2009 $'000 Life Insurance Contracts	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Funds 2008 $'000 Life Insurance Contracts	Shareholders Fund 2008 $'000	Total 2008 $'000
Life insurance contract premium revenue	159,204	-	159,204	154,456	-	154,456
Other revenue						
Exchange Gains	12	-	12	-	-	-
Seminar fees	56	-	56	124	-	124
	68	-	68	124	-	124
Investment income						
Unrealised Gains /(Losses) on investment	(3,529)	(521)	(4,050)	6,707	530	7,237
Interest Income	13,868	913	14,781	14,954	970	15,924
Realised losses	(3,578)	-	(3,578)	(406)	(50)	(456)
Investment income	6,761	392	7,153	21,255	1,450	22,705

NOTE 9 LIFE INSURANCE CLAIMS EXPENSE

	Statutory Funds 2009 $'000 Life Insurance Contracts	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Funds 2008 $'000 Life Insurance Contracts	Shareholders Fund 2008 $'000	Total 2008 $'000
Death & disability	111,171	-	111,171	98,896	-	98,896

NOTE 10 OTHER EXPENSES

	Statutory Funds 2009 $'000 Life Insurance Contracts	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Funds 2008 $'000 Life Insurance Contracts	Shareholders Fund 2008 $'000	Total 2008 $'000
Policy Acquisition - Life Insurance contracts						
Commission	2,431	-	2,431	2,245	-	2,245
Policy Maintenance						
Other	9,613	8	9,621	8,672	130	8,802
Investment Management	181	48	229	183	20	203
Total Administration Expenses	12,225	56	12,281	11,100	150	11,250
Analysis of expenses by nature						
Employee benefits expense	6,076	-	6,076	5,285	-	5,285
Other expenses	6,149	56	6,205	5,815	150	5,965
Total	12,225	56	12,281	11,100	150	11,250

NOTE 11 COMPONENTS OF PROFITS

	Statutory Funds 2009 $'000	Statutory Fund 2009 $'000	Statutory Funds 2009 $000	Statutory Funds 2008 $'000	Statutory Fund 2008 $'000	Statutory Funds 2008 $000
	Life Insurance Contracts	Other Life Investment Contracts		Life Insurance Contracts	Other Life Investment Contracts	
Components of profit related to the movement in life insurance liabilities						
Planned margins of revenues over expenses released	12,143	-	12,143	14,033	-	14,033
Difference between actual and assumed experience	(3,753)	-	(3,753)	(7,107)	-	(7,107)
Investment earnings on assets in excess of Life Insurance policy liabilities	(1,895)	398	(1,497)	10,708	775	11,483
Profit/(loss) for the Year	6,495	398	6,893	17,634	775	18,409

NOTE 12 INCOME TAX

Note 12 a)

	2009 $'000	2008 $'000
Income tax expense		
Current tax	4,961	4,624
Deferred tax	(1,813)	2,004
Total tax expense charged to statement of comprehensive income	**3,148**	**6,628**
Reconciliation between profit before tax and tax expense		
Profit before tax	10,042	25,037
Tax at the effective tax rate of 30% (2008: 30%)	3,012	7,511
Tax effect of non-deductible expenses	127	192
Tax expense attributable to policyholders	9	(1,075)
Tax charge for the year	**3,148**	**6,628**

The profit before tax as disclosed in the statement of comprehensive income represents the net income which is taxable at the rate of 30% (New Zealand 30%) and which relates to profits attributable to shareholder assets. The effective rate is 31.35 %. (2008 26.47%).

At 31 December 2009 the Company had carried forward tax losses of $5.2m available to offset future tax expense. These losses have not been recognised as deferred tax assets in the current or prior accounting years (2008 losses of $4.4m)

NOTE 12 INCOME TAX continued

Note 12 b)

	2009 $'000	2008 $'000
The movements in the provision for income tax during the period are as follows:		
Current tax liability		
Opening balance	1,374	2,856
Income tax paid	(7,242)	(6,153)
Current tax	4,961	4,624
Assumed profits tax	-	47
Tax receivable New Zealand	630	-
(over)/under provision	51	-
	(226)	1,374
Balance transferred to DTA	226	-
Closing balance	-	1,374

Note 12 c)

Deferred Tax Liability (DTL)

	2009		
	Opening Balance $'000	Income Movement $'000	Closing Balance $'000
Accrued Interest	1,176	(612)	564

	2008		
	Opening Balance $'000	Income Movement $'000	Closing Balance $'000
Accrued Interest	1,563	(387)	1,176

Note 12 d)
Deferred Tax Asset (DTA)

	2009		
	Opening Balance $'000	Income Movement $'000	Closing Balance $'000
Investments	(806)	1,073	267
Provisions	564	127	691
	(242)	1,200	958

NOTE 12 INCOME TAX continued

	2008		
	Opening Balance $'000	Income Movement $'000	Closing Balance $'000
Investments	1,202	(2,008)	(806)
Provisions	595	(31)	564
Other	25	(25)	-
	1,822	(2,064)	(242)

NOTE 13 OUTSTANDING PREMIUMS AND RECEIVABLES

	Statutory Funds 2009 $'000	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Funds 2008 $'000	Shareholders Fund 2008 $'000	Total 2008 $'000
Outstanding Premiums	19,096	-	19,096	32,546	-	32,546
Other Receivables	3,393	149	3,542	4,370	296	4,666
	22,489	149	22,638	36,916	296	37,212
Receivables expected to be realised within 12 months	22,477	149	22,626	36,916	296	37,212
Receivables expected to be realised in more than 12 months	12	-	12	-	-	-
Total	22,489	149	22,638	36,916	296	37,212

NOTE 14 INVESTMENTS

	Statutory Funds 2009 $'000	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Funds 2008 $'000	Shareholders Fund 2008 $'000	Total 2008 $'000
Debt securities						
National Government	234,789	14,181	248,970	199,174	13,963	213,137
Total debt securities	234,789	14,181	248,970	199,174	13,963	213,137
Total financial assets at fair value through profit or loss						
Expected to be realised within 12 months	77,454	6,035	83,489	130,767	8,767	139,534
Expected to be realised in more than 12 months	157,335	8,146	165,481	68,407	5,196	73,603
	234,789	14,181	248,970	199,174	13,963	213,137

NOTE 14 INVESTMENTS continued

Investments held in the Statutory Funds can only be used within the restrictions imposed under the Life Act. The main restrictions are that the assets in a Fund can only be used to meet the liabilities and expenses of that Fund, to acquire investments to further the business of the Fund or as distributions when solvency and capital adequacy requirements are met.

Interest Rate and Market Risks

Interest bearing securities are government, semi government backed AAA or AA investments. The average duration of investment is 1.42 years (2008: 1.17 years) with maturities ranging from 15 August 2010 to 15 April 2013. Interest rates will vary in accordance with economic conditions. The average interest rate on these investments as at the end of the year is 5.68 %pa (2008: 6.63%pa). The investments of the Company are constantly monitored by management and the Company's investment managers to limit the effect of market fluctuations.
The Company does not invest in derivatives and on this basis does not have a Derivate Risk Statement (DRS). The Board has not authorised the Company to conduct derivatives trading.

NOTE 15 TRADE AND OTHER PAYABLES

	Statutory Funds 2009 $'000	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Funds 2008 $'000	Shareholders Fund 2008 $'000	Total 2008 $'000
Outstanding life contracts claims payable	38,182	-	38,182	33,587	-	33,587
Accruals	764	34	798	566	50	616
Amounts owing to Related entities	17,106	-	17,106	14,882	-	14,882
Other Payables	-	-	-	296	-	296
	56,052	34	56,086	49,331	50	49,381

All of the above other payables are payable within 12 months.

NOTE 16 PROVISIONS

	Statutory Funds 2009 $'000	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Funds 2008 $'000	Shareholders Fund 2008 $'000	Total 2008 $'000
Employee Entitlements	2,174	-	2,174	1,775	-	1,775
	2,174	-	2,174	1,775	-	1,775
Payable within 12 months	1,751	-	1,751	1,383	-	1,383
Payable after 12 months	423	-	423	392	-	392
	2,174	-	2,174	1,775	-	1,775

NOTE 17 POLICY LIABILITIES

(a) Reconciliation of movements in policy liabilities

	2009 $'000	2008 $'000
Life investment contract liabilities		
Gross life investment contract liabilities at 1 January	8,763	9,436
Net increase/(decrease) in life investment contract policy liabilities reflected in the statement of comprehensive income	401	695
Life investment contract contributions recognised in policy liabilities	460	332
Life investment contract withdrawals recognised in policy liabilities	(1,160)	(1,700)
Gross life investment contract liabilities at 31 December	8,464	8,763
Life insurance contract liabilities		
Gross life insurance contract liabilities at 1 January	152,504	128,425
Unrealised exchange difference on opening New Zealand balance	(437)	(3,179)
Deposit component of life insurance contract premiums	298	674
Withdrawal component of life insurance contract claims	-	-
Increase/(decrease) in life insurance contract liabilities reflected in the	-	-
statement of comprehensive income	16,260	26,584
Gross life insurance contract liabilities at 31 December	168,625	152,504
Reinsurers' share of life insurance liabilities		
Opening balance at 1 January	(893)	(652)
Unrealised exchange difference on opening New Zealand balance	-	(5)
Increase/(decrease) in reinsurance assets reflected in the statement of comprehensive income	(16)	(236)
Gross reinsurers' share of life insurance liabilities at 31 December	(909)	(893)
Total life insurance contract liabilities	167,716	151,611
Net policy liabilities at 31 December		
Expected to be realised within 12 months	79,052	71,960
Expected to be realised in more than 12 months	97,128	88,414
	176,180	160,374

(b) Components of net life insurance contract liabilities

	2009 $'000	2008 $'000
Future policy benefits	247,720	233,135
Future charges for acquisition costs	(71,540)	(72,761)
Total net life insurance contract liabilities	176,180	160,374

NOTE 17 **POLICY LIABILITIES *continued***

(c) *Solvency requirements of the Life statutory funds*

These are amounts required to meet the prudential standards specified by the *Life Act* to provide protection against the impact of fluctuations and unexpected adverse circumstances on the life company.
The methodology and bases for determining solvency requirements are in accordance with the requirements of Prudential Standard LPS 2.04, Solvency Standard, under section 230A of the *Life Act.*

The solvency requirement has dropped significantly from last year which has caused the coverage ratio to increase dramatically. This is solely due to changes in methodology applied this year rather than an underlying change to capital.

The key differences arising from the changes are:
• Margins added to the Minimum Termination Value ("MTV") are now included in the MTV line, rather than in the "Solvency/Capital adequacy reserve" line.
• The gross MTV is reported (as before, plus the above margins), less the change in value of the retrocession assets, as allowed for under the LPS2.04 standard.

The figures in the table below represent the number of times coverage for each fund of the assets available for solvency over the solvency reserve.

		Statutory Fund 1 2009 $'000	Statutory Fund 2 2009 $'000	Statutory Fund 1 2008 $'000	Statutory Fund 2 2008 $'000
SOLVENCY REQUIREMENT	A	183,668	56,247	167,814	51,329
Represented by:					
- Minimum Termination Value		133,486	43,604	117,008	44,259
- Other Liabilities		47,536	11,011	48,755	6,334
- Solvency Reserve	B	2,646	1,632	2,051	736
		183,668	56,247	167,814	51,329
ASSETS AVAILABLE FOR SOLVENCY RESERVE	C	53,250	12,767	52,659	9,862
Comprised of:					
- Excess of Net Policy Liability over Minimum Termination Value		-	-	-	-
- Excess Assets		53,250	12,767	52,659	9,862
		53,250	12,767	52,659	9,862
Solvency Reserve % : (B / (A-B)) x 100		1.46%	2.99%	1.24%	1.45%
Coverage of Solvency Reserve : C/B		20.13	7.82	25.68	13.41

(d) Disclosures on asset restrictions, managed assets and trustee activities Restrictions on assets

Investments held in the life statutory funds ('funds') can only be used within the restrictions imposed under the *Life Act.* The main restrictions are that the assets in a Fund can only be used to meet the liabilities and expenses of that Fund, to acquire investments to further the business of the Fund or as distributions when solvency and capital adequacy requirements are met. Participating policyholders can receive a distribution when solvency requirements are met, whilst shareholders can only receive a distribution when the higher level of capital adequacy requirements is met.

NOTE 18 DISAGGREGATED INFORMATION OF LIFE INSURANCE BUSINESS BY FUND

	Statutory Fund 1 2009 $'000	Statutory Fund 2 2009 $'000	Shareholders Fund 2009 $'000	Total 2009 $'000
Investments	184,371	50,419	14,180	248,970
Other assets	47,439	16,916	1,446	65,801
Life insurance contract policy liabilities	124,159	43,558	-	167,717
Life investment contract policy liabilities	8,464	-	-	8,464
Other Liabilities	48,058	10,257	283	58,598
Retained earnings	46,250	12,767	2,302	61,319
Net premium revenue	118,723	23,748	-	142,471
Other Income	56	12	-	68
Investment income	5,158	1,603	392	7,153
Net Claims expense	(93,831)	(16,894)	-	(110,725)
Other expenses	(24,194)	(4,676)	(56)	(28,926)
Profit before tax	5,912	3,793	336	10,041
Profit after tax	3,591	2,904	398	6,893
Transfers from/(to) other funds	(3,000)	-	3,000	-
	591	2,904	3,398	6,893

	2008 $'000	2008 $'000	2008 $'000	2008 $'000
Investments	160,345	38,830	13,962	213,137
Other assets	56,925	19,856	1,139	77,920
Life insurance contract policy liabilities	(107,369)	(44,243)	-	(151,612)
Life investment contract policy liabilities	(8,762)	-	-	(8,762)
Other Liabilities	(48,570)	(4,581)	(555)	(53,706)
Retained earnings	45,659	9,863	1,824	57,346
Net Premium revenue	112,093	25,557	-	137,650
Investment income	16,781	4,475	1,449	22,705
Net Claims expense	(82,243)	(14,907)	-	(97,150)
Other expenses	(25,310)	(12,708)	(150)	(38,168)
Profit before tax	21,321	2,417	1,299	25,037
Profit after tax	15,217	2,417	775	18,409
Transfers from/(to) other funds	(3,000)	-	3000	-
	12,217	2,417	3,775	18,409

NOTE 19 CASH AND CASH EQUIVALENTS

a) Reconciliation of cash

For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand, and at bank. Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flow is reconciled to the related items in the balance sheet as follows:

	Statutory Funds 2009 $'000	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Funds 2008 $'000	Shareholders Fund 2008 $'000	Total 2008 $'000
Cash and cash equivalents	41,866	1,297	43,163	40,051	900	40,951

b) Interest Rate Risk

Cash and cash equivalents are represented by current accounts with major Australian banks. The interest rate is variable and cash is available at call. Variable interest applying to this account represents an interest rate risk.

c) Reconciliation of profit after tax to net cash provided by operating activities

	2009 $'000	2008 $'000
Profit after tax	6,893	18,409
Add/(less) items classified as investing/financing activities:		
Realised losses on investments	3,578	456
Purchased interest	2,423	2,077
Accrued interest included in settlements	-	(7)
Add/(less) non cash items:		
Unrealised loss/(gain) on investments	4,050	(7,237)
Unrealised exchange differences	186	(666)
Net cash provided by operating activities before change in assets and liabilities	17,130	13,032
Change in assets and liabilities during the financial year:		
(Increase) / decrease in outstanding premium	13,450	(5,235)
(Increase) / decrease in other debtors	(944)	3
(Increase) / decrease in accrued investment income	2,068	701
(Increase) / decrease in amount due to related entity	(1,079)	75
(Increase) / decrease in deferred tax assets	(1,184)	2,065
(Decrease) / increase in amount owing to controlling entity	992	(12,110)
(Decrease) / increase in reinsurance claims payable	4,595	(3,318)
(Decrease) / increase in payables	(114)	(4)
(Decrease) / increase in employee entitlements	399	(102)
(Decrease) / increase in deferred tax liability	(854)	(400)
(Decrease) / increase in current tax liability	(1,374)	(1,482)
(Decrease) / increase in policy liabilities	15,807	23,165
Net cash inflow from operating activities	48,892	16,390

NOTE 20 RELATED PARTIES

Ultimate Controlling Entity
The immediate controlling entity is Kölnische Rückversicherungs-Gesellschaft AG, incorporated in the Republic of Germany. The ultimate controlling entity is Berkshire Hathaway Inc, incorporated in the United States of America.

Related Entity
General Reinsurance Australia Ltd (GRA), a company incorporated in Australia and Genre Capital in Cologne, Germany are related to the Company through common ownership by Berkshire Hathaway.

Directors
The names of each person holding the position of Director of General Reinsurance Life Australia Ltd during the financial year are Messrs. A.G. Brown, R.E. Deane, K.W.Droste, K.J.McCann, F.A. McDonald and M.L.C.Molesworth.

Loans to Directors
There were no loans to directors during the year.

Directors' Shareholdings/Dividends

No shares were held by any directors during the financial year.

No dividends were paid to the directors during the financial year.

Parent Entity

i) Related Party Transactions

The Company has in place surplus and stop loss retrocession agreements with Kölnische Rückversicherungs-Gesellschaft AG (KR). Transactions under these agreements and the amounts due to or from the parent and associated entities are as follows:

	2009 KR $'000	2009 GRA $'000	2008 KR $'000	2008 GRA $'000
Retrocession premiums	(16,318)	-	(16,629)	-
Retrocession claims	446	-	1,747	-
Other	(1)	-	-	-
Management expenses	-	(1,231)	-	(145)
Net amount owing to Controlling Entity and GRA	(15,873)	(1,231)	(14,882)	(145)

Commonly Controlled Entity
All dealings with the parent entity and the related entity are in the ordinary course of business and on normal commercial terms and conditions.

Dividends for the year ended 31 December 2008 paid to Kölnische Rückversicherungs-Gesellschaft AG in 2009 were $2,920,000 and a dividend of $2,920,000 has been paid for the year ended 31 December 2009.

Investment management expenses amounting to $ 228k (2008: $190k) were paid to Genre Capital, Germany for investment services rendered.

The Company had a related party liability with General Reinsurance Australia Ltd (GRA) of $1,231k (2008: $145k).

NOTE 21 KEY MANAGEMENT PERSONNEL REMUNERATION

The compensation of key management personnel of the Company, is set out below:

		2009 $'000	2008 $'000
(a)	short-term employee benefits	1,832	2,019
(b)	post-employment benefits	-	-
(c)	other long-term benefits	17	17
(d)	termination benefits	-	-
(e)	share-based payment	-	-
Total		1,849	2,036

NOTE 22 ISSUED CAPITAL

	Statutory Fund 2009 $'000	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Fund 2008 $'000	Shareholders Fund 2008 $'000	Total 2008 $'000
831,608 ordinary shares (2008: 831,608), fully paid	-	12,632	12,632	-	12,632	12,632
7,000 redeemable preference shares, fully paid	7,000	-	7,000	7,000	-	7,000
	7,000	12,632	19,632	7,000	12,632	19,632

Ordinary shares carry voting rights of 1 vote per share and carry the rights to dividends. There are no authorised shares. Redeemable preference shares do not have voting rights. Redeemable preference share dividends are paid at a rate of 6% pa.

Movement in Issued Capital	Statutory Fund 2008 $'000	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Fund 2008 $'000	Shareholders Fund 2008 $'000	Total 2008 $'000
- Ordinary Shares						
Opening balance	-	12,632	12,632	-	12,632	12,632
Additional Capital	-	-	-	-	-	-
Closing Balance	-	12,632	12,632	-	12,632	12,632

NOTE 23 CAPITAL TRANSFERS TO STATUTORY FUND

Capital Transfers to Statutory Fund	Statutory Fund 2009 $'000	Shareholders Fund 2009 $'000	Total 2009 $'000	Statutory Fund 2008 $'000	Shareholders Fund 2008 $'000	Total 2008 $'000
Opening balance	7,000	(7,000)	-	7,000	(7,000)	-
Capital Transfers to Statutory Fund during the year	-	-	-	-	-	-
Balance at end of year	7,000	(7,000)	-	7,000	(7,000)	-

NOTE 24 FINANCIAL INSTRUMENTS

(a) Significant accounting policies

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

(b) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maintaining the solvency requirements prescribed by the prudential standards specified under the Life Act.

The capital structure of the Company is made up of issued capital and retained earnings as disclosed in the statement of comprehensive income.

The Company's directors review the capital structure on an annual basis. As a part of this review the committee ensures that the Company has adequate capital as prescribed under the Life Act. The Company's overall strategy remains unchanged from 2008.

(c) Categories of financial instruments

	Note	2009 $'000	2008 $'000
Financial assets			
Fair value through statement of comprehensive income (i)	14	248,970	213,137
Cash and cash equivalents	19(a)	43,163	40,951
Financial liabilities			
Trade and other Payables		56,086	49,381

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

NOTE 24 FINANCIAL INSTRUMENTS (cont'd)

(d) Financial risk management objectives

It is ultimately the responsibility of the Board of Directors to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the board has explicitly allocated to the Managing Director, the function of overseeing the establishment and maintenance of risk-based systems and controls across the Company. The Risk Management Officer (RMO) is to review, monitor and report on the Risk Management Strategy (RMS) to the Managing Director.

As part of the overall governance framework the Company has established a number of board and management committees to overview and manage financial risks. The Board and senior management of the Company have developed, implemented and maintain a sound and prudent RMS.

The RMS identifies the Company's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Company. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Company has systems in place to ensure compliance with legislative and prudential requirements and that the Board has satisfied itself as to the compliance with the RMS.

(e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy cedants and bond holders as a means of mitigating the risk of financial loss from defaults. These policies and procedures are in place to mitigate the Company's exposure to credit risk. The Company's overall strategy in credit risk management remains unchanged from 2008.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of retrocession.

	Note	2009 $'000	2008 $'000
Financial assets			
Cash and cash equivalents	19(a)	43,163	40,951
Financial assets at fair value through profit or loss			
Government / semi govt securities	14	248,970	213,137
Loans and receivables			
Premiums receivable	13	19,096	32,546
Other debtors and prepayments	13	3,542	4,666
Deferred tax asset	12(d)	958	-
Total		**315,729**	**291,300**

NOTE 24 FINANCIAL INSTRUMENTS (cont'd)

(f) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. As required by APRA Prudential Standard LPS 220, the Company has developed and implemented a Risk Management Strategy. The Company's overall strategy in liquidity risk management remains unchanged from 2008.

The following tables summarise the maturity profile of the Company's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.
The tables include the principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

	Weighted average interest rate	0- 1 year	1-5 years	5+ years	Adjust-ment	Total
	%	$'000	$'000	$'000	$'000	$'000
2009						
Outstanding claims liabilities	-	38,182	-	-	-	38,182
Financial liabilities						
Payables	-	17,904	-	-	-	17,904
Income tax payable	-	338	-	-	-	338
Employee entitlements	-	1,751	423	-	-	2,174
Total		58,175	423	-	-	58,598
2008						
Outstanding claims liabilities	-	33,587	-	-	-	33,587
Financial liabilities						
Payables	-	15,650	144	-	-	15,794
Income tax payable	-	2,792	-	-	-	2,792
Employee entitlements	-	1,407	184	184	-	1,775
Total		53,436	328	184	-	53,948

The Company have no significant concentration of liquidity risk.

NOTE 24 FINANCIAL INSTRUMENTS (cont'd)

(g) 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's policies and procedures put in place to mitigate the Company's exposure to market risk. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk management

The Company's activities expose it to the financial risk of changes in interest rates. Fixed interest rate instruments expose the Company to fair value interest rate risk. The Parent Company Investment manager closely monitors the Company's exposures to interest rate risk.

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

The following tables detail the Company's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the balance sheet.

	Weighted average interest rate	0- 1 year	1-5 years	5+ years	Adjust-ment	Total
	%	$'000	$'000	$'000	$'000	$'000
2009						
Non-interest bearing:						
Cash	-	5,802	-	-	-	5,802
Net trade debtors	-	19,096	-	-	-	19,096
Other insurance receivables	-	3,543	-	-	-	3,543
Receivable from related party	-	-	-	-	-	-
Variable interest rate instruments:						
Cash	3.07	37,361	-	-	-	37,361
Fixed interest rate instruments:						
Government securities	5.68	83,490	165,480	-	-	248,970
Total		149,292	165,480	-	-	314,772
2008						
Non-interest bearing:						
Cash	-	2,908	-	-	-	2,908
Net trade debtors	-	32,546	-	-	-	32,546
Other insurance receivables	-	4,667	-	-	-	4,667
Receivable from related party	-	-	-	-	-	-
Variable interest rate instruments:						
Cash	4.98	38,043	-	-	-	38,043
Fixed interest rate instruments:						
Government securities	6.73	139,534	73,603	-	-	213,137
Total		217,698	73,603	-	-	291,301

NOTE 24 FINANCIAL INSTRUMENTS (cont'd)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date.

Fixed interest securities	2009	2008
	$'000	$'000
100 basis point increase or decrease on profit (+/-)	3,287	2,338

Foreign currency risk management

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

The Company is mainly exposed New Zealand dollars (NZD) via its branch in New Zealand. The Company's financial assets are primarily denominated in the same currencies as its insurance contract liabilities, which mitigates the foreign currency exchange risk for the overseas operations in New Zealand. The Company's overall strategy in foreign currency risk management remains unchanged from 2008.

The net carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities (2009: $54.6m, 2008: $51.1m) at the reporting date is as follows:

	Assets	
	2009 AUD	2008 AUD
	$'000	$'000
New Zealand dollars	67,335	60,594

Foreign currency sensitivity

The following table details the Company's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency.

		NZD impact 10% increase		NZD impact 10% decrease	
		2009 AUD	2008 AUD	2009 AUD	2008 AUD
		$'000	$'000	$'000	$'000
Profit or loss	(i)	(268)	(274)	327	335
Other equity	(ii)	(1,164)	(897)	1,423	1,096

(i) This is mainly attributable to exposure outstanding on NZD receivable from the New Zealand branch.

(ii) This is a result of changes in the carrying amount of retained earnings of the New Zealand branch.

NOTE 24 FINANCIAL INSTRUMENTS (cont'd)

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; the exchange is in the principal market for that asset or liability (or in the most advantageous market when no principal market exists); and the market participants are independent, knowledgeable, able and willing to transact an exchange. Non-performance risk (credit risk) is considered in valuing liabilities. The carrying value of the Company's cash and cash equivalents, receivables and accounts payable, accruals and other liabilities are deemed to be reasonable estimates of their fair value.

Investments

The estimated fair values for fixed maturities and equity securities were generally based on quoted market prices or estimated from independent pricing services. Where quoted market prices are not available, fair values are estimated using present value or valuation techniques. Considerable judgment may be required in interpreting market data used to develop the estimates for fair value. As a result, the estimated fair values presented may not be representative of the actual amount that could be realised in a current market transaction. The use of different market assumptions and models may have a material effect on the estimated fair values. The fair value of investments in limited partnerships, with the exception of one investment in real estate, which were included in other invested assets on the balance sheet, was determined by reviewing available financial information of the investee and by performing other financial analyses in consultation with external advisors.

A framework exists for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions. The hierarchy consists of three levels, ranging from the category the FASB deems to be the 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 further description of the inputs used in the valuation of assets and liabilities under the three levels as follows.

Level 1 – Inputs represent unadjusted quoted prices for the 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 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 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 corroborated by observable market data by correlation or other means. Fair values for the Company's investments in fixed maturity securities are primarily based on market prices and market data available for instruments with similar characteristics since active markets are not common for many instruments. Pricing evaluations are based on yield curves for instruments with similar characteristics, such as credit rating, estimated duration, and yields for other instruments of the issuer or entities in the same industry sector.

Level 3 – Inputs include unobservable inputs used in the measurement of assets and liabilities. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or liabilities or related observable inputs that can be corroborated at the measurement date. Measurements of non-exchange traded derivative contracts and certain other investments carried at fair value are based primarily on valuation models, discounted cash flow models or other valuation techniques that are believed to be used by market participants. Unobservable inputs require management to make certain projections and assumptions about the information that would be used by market participants in pricing assets or liabilities.

Financial assets and liabilities measured at fair value in the financial statements as of December 31, 2009 summarized in the following table by the inputs applicable to the fair value measurements (in thousands).

NOTE 24 **FINANCIAL INSTRUMENTS (cont'd)**

Investments		Total Fair Value	Quoted prices Level 1	Significant Other Observable Inputs Level 2	Significant unobservable inputs Level 3
Fixed maturities bonds					
Obligations of Australia and New Zealand governments		248,970	-	248,970	-
Total fixed maturities		248,970	-	248,970	-

* There were no gains or losses in earnings attributable to the change in unrealised losses related to assets still held at December 31,2009.

There were no transfers between levels during the year.

NOTE 25 **ADDITIONAL INFORMATION**

	Total 2009	Total 2008
Number of Employees	26	26

Type of Company: Unlisted public company

NOTE 26 **CONTINGENCIES**

There are no outstanding contingencies during the year.

GENERAL REINSURANCE LIFE AUSTRALIA LTD
DIRECTORS' DECLARATION

In the opinion of The Directors of General Reinsurance Life Australia Ltd ("the Company"):

(a) the financial report and notes, set out on pages 8 to 42, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company as at 31 December 2009 and of it's performance, as represented by the results of it's operations and cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made in pursuant to s.295(5) of the Corporations Act 2001:

....
F.A. McDonald
Chairman

Dated 24 March, 2010

....
M.L.C.Molesworth
Principal Officer

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of General Reinsurance Life Australia Ltd

We have audited the accompanying financial report of General Reinsurance Life Australia Ltd, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration as set out on pages 8 to 44.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of General Reinsurance Life Australia Ltd is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

DELOITTE TOUCHE TOHMATSU

S Alexander
Partner
Chartered Accountants
24 March 2010