

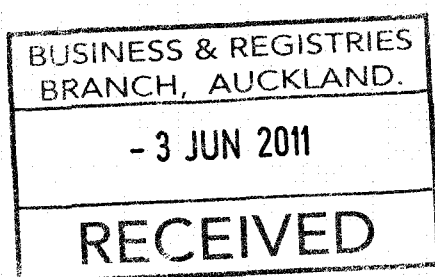


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**General Reinsurance Life Australia Ltd.
New Zealand Life Branch**

Financial Report

for the Financial Year ended 31 December 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
J Dorter, Head of Client Services
J Louw, Head of Account Management
M Ramjan, Head of Client Services

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 (+612) 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 2010.

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 2010 and the results of their operations for the year ended 31 December 2010.

The Directors consider that the financial statements of the Branch have been prepared using accounting policies appropriate to the Branch 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.

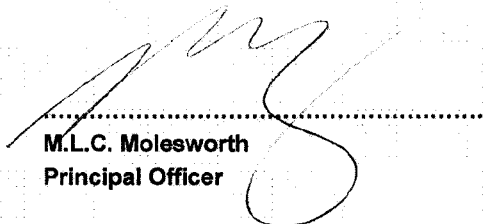
The Directors have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Branch and to prevent and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

This annual report and the financial statements are dated 24 March 2011 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 2011

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 \$	2009 \$
Life insurance premium revenue	8	40,259,606	35,727,250
Outward reinsurance expense		<u>(1,040,347)</u>	<u>(6,169,869)</u>
Net premium revenue		39,219,259	29,557,381
Investment income	8	4,199,351	1,994,650
Other revenue	8	<u>114,619</u>	<u>-</u>
Net revenue		<u>43,533,229</u>	<u>31,552,031</u>
Life insurance claims expense	9	23,690,173	21,026,142
Other expenses	10	5,828,899	5,993,002
Change in life insurance contract policy liabilities	16	<u>3,611,673</u>	<u>(309,533)</u>
Net claims and expenses		<u>33,235,769</u>	<u>26,709,611</u>
Profit before income tax		10,297,460	4,842,420
Income tax expense	12(a)	<u>2,307,451</u>	<u>1,106,742</u>
Net profit		7,884,985	3,735,678
Other comprehensive income			
Total Comprehensive Income for the year, net of income tax, attributable to head office		<u>7,884,985</u>	<u>3,735,678</u>

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 2010

	Note	2010 \$	2009 \$
ASSETS			
Cash and cash equivalents		7,304,159	18,414,062
Outstanding premiums and receivables	13	7,895,649	2,639,917
Investments	14	78,039,336	62,750,391
Current tax asset	12(b)	-	-
TOTAL ASSETS		93,239,144	83,804,370
LIABILITIES			
Trade and other payables	15	9,334,390	13,703,724
Life insurance contract policy liabilities	16(a)	57,823,145	54,211,472
Provision for Income Tax	12(b)	1,523,035	-
TOTAL LIABILITIES		68,680,569	67,915,196
NET ASSETS		23,774,159	15,889,174
EQUITY			
Head Office equity account		532,000	532,000
Retained profits		23,242,159	15,357,174
TOTAL EQUITY		23,774,159	15,889,174

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 2010

	Head Office Equity 2010 \$	Retained Earnings 2010 \$	Total 2010 \$
Balance at 1 January 2010	532,000	15,357,174	15,889,174
Comprehensive Income	-	7,884,985	7,884,985
Balance at 31 December 2010	532,000	23,242,159	23,774,159

	Head Office Equity 2009 \$	Retained Earnings 2009 \$	Total 2009 \$
Balance at 1 January 2009	532,000	11,621,496	12,153,496
Comprehensive Income	-	3,735,678	3,735,678
Balance at 31 December 2009	532,000	15,357,174	15,889,174

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

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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.

These general purpose financial statements cover General Reinsurance Life Australia Ltd - New Zealand Life Branch (the branch). The branch is domiciled in New Zealand, registered address at 205 Queen 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 New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate to profit oriented entities that qualify for, and apply differential reporting.

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 are authorised for issue by the directors on 24 March 2011.

These financial statements are 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.

The functional and presentation currency is New Zealand dollars.

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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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.

(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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(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) Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. A trade receivable is deemed to be uncollectible upon notification of insolvency of the debtor or upon receipt of similar evidence that the Branch will be unable to collect the trade receivable. Changes in the carrying amount of the allowance account are recognised in profit or loss. Subsequent recoveries of trade receivables previously written off are credited against the allowance account.

(h) 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 probable. Future income tax benefits relating to tax losses are only brought to account when their realisation is probable.

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 2009 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(i) 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.

(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.

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

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

3. ACTUARIAL ASSUMPTIONS AND METHODS

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.

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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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 principles 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 specified by the Life Insurance Act 1908 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 5.75% pa (2009: 6.00%) 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 (2009: 2.75%) 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 2010 as the best available estimate for 2011. 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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 (2009: 12.0%)
- Disability Income:** 15.0% per annum (2009: 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
		2010	2009
Accidental Death		9.0 mths	9.0 mths
Death		4.0 mths	4.5 mths
Trauma		10.0 mths	9.0 mths
TPD		14.0 mths	15.0 mths
Disability Income		2.5 mths	2.5 mths

The above is based on actual experience of the branch.

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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	\$7,884,985	\$23,774,159
Mortality/Incidence +10%	\$6,873,960	\$22,763,133
Mortality/Incidence –10%	\$8,896,010	\$24,785,184
Termination rates –10%*	\$4,427,524	\$20,316,697
Termination rates +10%*	\$11,342,446	\$27,231,620

* This is approximated by increasing/decreasing disability 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

4. RISK MANAGEMENT POLICIES AND PROCEDURES

The financial condition and operating results of the Branch 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 Branch'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 Branch 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 significantly reduces any interest rate, currency, credit and liquidity risk that the Branch 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 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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:

	2010 \$	2009 \$
Profit After Income Tax	7,884,985	3,735,678
Retained Profits at the Beginning of the Year	15,357,174	11,621,496
	<hr/>	<hr/>
Retained Profits at the End of the Year	23,242,159	15,357,174
Contributed Equity	<u>532,000</u>	<u>532,000</u>
Total Shareholders' Interest	<u>23,774,159</u>	<u>15,889,174</u>
Components of Shareholders' Interests		
- Shareholders' Capital	532,000	532,000
- Shareholders' Retained Profits (Non-Participating)	<u>23,242,159</u>	<u>15,357,174</u>
	<u>23,774,159</u>	<u>15,889,174</u>

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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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.

(b) Sources of the Profit :

	2010 \$	2009 \$
From life Insurance contracts		
- Non-Participating Business	7,884,985	3,735,678
Retained Profits at Beginning of the Year	<u>15,357,174</u>	<u>11,621,496</u>
RETAINED PROFITS AT THE END OF THE YEAR	<u>23,242,159</u>	<u>15,537,174</u>
Components of Retained Profits		
- Shareholders (Non - Participating)	<u>23,242,159</u>	<u>15,537,174</u>

7. MISCELLANEOUS DISCLOSURES

Profit before income tax is arrived at after charging/(crediting) the following items:

Investment management fees	167,594	59,706
Unrealised loss on investments	<u>390,301</u>	<u>129,613</u>

Audit fees and directors' emoluments are borne as part of head office overheads and are not separately charged to the New Zealand branch. The branch's auditor is Deloitte Touche Tohmatsu.

8. REVENUE

Life insurance contract premium revenue	<u>40,259,606</u>	<u>35,727,250</u>
<i>Other revenue</i>		
Exchange Gains /(Losses)	<u>114,619</u>	<u>-</u>
	<u>114,619</u>	<u>-</u>
<i>Investment income</i>		
Unrealised gains /(losses) on investment	(390,301)	(1,460,212)
Interest income	4,228,953	3,454,862
Realised gain/(losses)	<u>360,700</u>	<u>-</u>
<i>Investment income</i>	<u>4,199,351</u>	<u>1,994,650</u>

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

9. LIFE INSURANCE CLAIM EXPENSE

	2010 \$	2009 \$
Death & disability	<u>23,690,173</u>	<u>21,026,142</u>

10. OTHER EXPENSES

Policy Acquisition - Life Insurance contracts

Commission	-	-
------------	---	---

Policy Maintenance

Commission	2,792,324	2,912,627
Other	2,971,376	3,020,669
Investment management	<u>65,198</u>	<u>59,706</u>
Total Administration Expenses	<u>5,828,899</u>	<u>5,993,002</u>

11. COMPONENTS OF PROFITS

Components of profit related to the movement
in life insurance liabilities

Planned margins of revenues over expenses released	6,805,998	2,134,925
Difference between actual and assumed experience	1,218,014	2,761,576
Investment earnings on assets		
in (deficit) / excess of Life Insurance policy liabilities	<u>(139,027)</u>	<u>(1,160,823)</u>
Profit/(loss) for the Year	<u>7,884,985</u>	<u>3,735,678</u>

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

12. INCOME TAX

Note 12 a)

	2010	2009
	\$	\$
Income tax expense		
Current tax:		
- Current Tax	1,523,035	735,584
- Under provision	784,416	371,158
Deferred tax	-	-
Total tax expense charged to statement of comprehensive income	2,307,451	1,106,742
Reconciliation between net profit before tax and tax expense		
Net profit before tax	10,297,460	4,842,421
Tax at 30% (2009: 30%)	3,089,238	1,452,726
Permanent differences	(781,787)	(1,156,405)
Movement in deferred taxes	-	-
Less losses not recognised	-	810,421
Tax charge for the year	2,307,451	1,106,742

At 31 December 2010 the Branch had carried forward tax losses of \$5,246,541. These losses have not been recognised as deferred tax assets in the current or prior accounting years (2009: \$5,226,025 tax losses).

Note 12 b)

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

Provision for Income Tax

Opening balance	-	430,101
Income tax paid	-	1,520,000
Current tax expense	2,307,451	(1,106,742)
Income tax refund	(784,416)	(58,943)
Transferred to receivables	-	(784,416)
Closing balance	1,523,035	-

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

13. OUTSTANDING PREMIUM & RECEIVABLES

	2010 \$	2009 \$
Outstanding Premiums	6,199,737	806,250
Other Receivables	1,695,912	1,833,667
	<u>7,895,649</u>	<u>2,639,917</u>
Receivables within 12 months	7,895,649	2,639,917
Receivables in more than 12 months	-	-
Total	<u>7,895,649</u>	<u>2,639,917</u>

14. INVESTMENTS

Debt securities		
National Government	<u>78,039,336</u>	<u>62,750,391</u>
Expected to be realised within 12 months	19,519,398	-
Expected to be realised in more than 12 months	<u>58,519,938</u>	<u>62,750,391</u>
	<u>78,039,336</u>	<u>62,750,391</u>

The branch has deposited with the Public Trust of New Zealand, New Zealand government securities with a face value of \$500,000 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 2.49 years (2009: 2.58 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%pa (2009: 6.22%pa). The investment assets of the branch are constantly monitored by management and over investment managers 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

15. TRADE AND OTHER PAYABLES

	2010	2009
	\$	\$
Outstanding life contracts claims payable	5,425,338	6,519,941
Accruals	638,490	175,624
Amounts owing to Controlling Entities	1,014,025	6,070,176
Amounts owing to Related Entities	<u>2,256,537</u>	<u>937,923</u>
	<u>9,334,390</u>	<u>13,703,724</u>

All of the above other payables are payable within 12 months

16. POLICY LIABILITIES

(a) Reconciliation of movements in policy liabilities

Life insurance contract liabilities

Gross life insurance contract liabilities at 1 January	54,269,119	54,540,316
Increase/(decrease) in life insurance contract liabilities reflected in the Statement of Comprehensive Income	3,566,150	(271,197)
Gross life insurance contract liabilities at 31 December	<u>57,835,269</u>	<u>54,269,119</u>

Reinsurers' share of life insurance liabilities

Opening balance at 1 January	(57,647)	(19,311)
Increase/(decrease) in reinsurance assets reflected in the Statement of Comprehensive Income	45,523	(38,336)
Gross reinsurers' share of life insurance liabilities at 31 December	<u>(12,124)</u>	<u>(57,647)</u>

Total life insurance contract liabilities	<u>57,823,145</u>	<u>54,211,472</u>
--	-------------------	-------------------

Net policy liabilities at 31 December

Expected to be realised within 12 months	14,336,121	13,440,677
Expected to be realised in more than 12 months	<u>43,487,024</u>	<u>40,770,795</u>
	<u>57,823,145</u>	<u>54,211,472</u>

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

16. POLICY LIABILITIES continued

(b) Components of net life insurance contract liabilities

	2010 \$	2009 \$
Future policy benefits	64,855,397	60,048,915
Future charges for acquisition costs	<u>(7,032,252)</u>	<u>(5,837,443)</u>
Total net life insurance contract liabilities	<u>57,823,145</u>	<u>54,211,472</u>

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.

	2010 \$	2009 \$
SOLVENCY REQUIREMENT	A <u>74,937,888</u>	<u>70,693,395</u>
Represented by:		
- Minimum Termination Value	62,121,181	54,269,119
- Other Liabilities	10,359,008	14,389,951
- Solvency Reserve	B <u>2,457,699</u>	<u>2,034,325</u>
	<u>74,937,888</u>	<u>70,693,395</u>
ASSETS AVAILABLE FOR SOLVENCY RESERVE	C <u>19,488,285</u>	<u>15,938,984</u>
Comprised of:		
- Excess of Net Policy Liability over Minimum Termination Value	(4,285,912)	
- Excess Assets	<u>23,774,197</u>	<u>15,938,984</u>
	<u>19,488,285</u>	<u>15,938,984</u>
Solvency Reserve % : (B / (A-B)) x 100	3.39%	2.96%
Coverage of Solvency Reserve :	7.93	7.84
	C/B	

GENERAL REINSURANCE LIFE AUSTRALIA LTD. – NEW ZEALAND LIFE BRANCH
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

17. 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 General Reinsurance AG. It provides the Branch with administration and management services New England Asset Management (NEAM) Ltd. Genre Capital in Cologne, Germany is related to the branch through common ownership by Berkshire Hathaway.

General Reinsurance AG is the parent entity of General Reinsurance Life Australia Ltd. Retrocession premium is due to, and claims from, General Reinsurance 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.

Related Entities

i) Retrocession Transactions

The Branch has in place surplus and stop loss retrocession agreements with GRAG.

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:

	2010	2010	2009	2009
	GRAG	GRLA	GRAG	GRLA
	\$	\$	\$	\$
Retrocession premiums	1,014,025	-	6,070,234	-
Management expenses incurred	-	2,250,787	-	937,925
Net amount owing to related parties	1,014,025	2,250,787	6,070,234	937,925

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 \$65,198 (\$30,813 in 2009 to Gen Re Capital) were paid to NEAM 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 2010. 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 2011

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

Report on the Annual Report

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 2010, the statement of comprehensive income and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information of General Reinsurance Life Australia Ltd – New Zealand Branch during the financial year as set out on pages 3 to 24.

Directors' Responsibility for the Annual Report

The directors of General Reinsurance Life Australia Ltd – New Zealand branch are responsible of the annual report in accordance with generally accepted accounting practice in New Zealand and for such internal control as the directors determine is necessary to enable the preparation of the annual report that is free from material misstatement, whether due to fraud or error.

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. Those 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 of the annual report that gives a true and fair view of matters to which they relate, 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.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in General Reinsurance Life Australia Ltd - New Zealand Branch.

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

Opinion

In our opinion, the annual report of General Reinsurance Life Australia Ltd– New Zealand branch:

- a) gives a true and fair view of General Reinsurance Life Australia Ltd – New Zealand branch's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
- b) complies with generally accepted accounting practice in New Zealand; and
- c) complies with International Financial Reporting Standards.

Emphasis of Matter

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. Our opinion is not qualified in respect of this matter.

Debbie Taha Tohmatsu

DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants
Melbourne, 24 March 2011

General Reinsurance Life Australia Ltd.
ABN: 73 002 166 869

Financial Report

for the Financial Year ended 31 December 2010



GENERAL REINSURANCE LIFE AUSTRALIA LTD.

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GENERAL REINSURANCE LIFE AUSTRALIA LTD.

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

N. Brown, 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

GENERAL REINSURANCE LIFE AUSTRALIA LTD.

DIRECTORS' REPORT

The Directors present their report together with the financial report of General Reinsurance Life Australia Ltd. for the year ended 31 December 2010. 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:

<i>Name and Qualifications</i>	<i>Age</i>	<i>Experience and Special Responsibilities</i>
Mr F Allan McDonald B.Ec, FCPA, FCIS, FAIM Chairman Non-Executive Director	71	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., and Securities Exchange Guarantee Corporation LTD. He has 46 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	73	Mr Brown has 48 years experience as a chartered accountant. He is a director of Edward H. O'Brien Industries Pty Ltd., Business Print (Australia) Pty Ltd., and General Reinsurance Australia Ltd.. He is a Fellow of The Institute of Chartered Accountants in Australia. He was an audit partner and managing partner of 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	65	Mr Deane has 40 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	57	Dr Droste is a director of General Re Africa Ltd.. He is Regional Manager, Asia Pacific of General Reinsurance Group with 27 years industry experience. Member of the Board Audit Committee. He is a qualified actuary. Appointed 13 September 1999.

**GENERAL REINSURANCE LIFE AUSTRALIA LTD.
DIRECTORS' REPORT continued**

Mr Michael L C Molesworth Managing Director	61	Mr Molesworth was appointed Managing Director of the Company on 30 June 1999. He has 41 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.
Ms Kathryn Jane McCann B.App.Sci (Computing Science) MBA, MAICD Non-Executive Director	49	Ms McCann has 27 years experience in the finance and business management industry. She is a director of Urbis Pty Ltd. and Chair the Remuneration Committee at both General Reinsurance Australia Ltd. (GRA) and General Reinsurance Life Australia Ltd. (GRLA). 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		Board Remuneration Committee	
	A	B	A	B	A	B
F Allan McDonald	4	4	2	2	2	2
Mr A. G. Brown	4	4	2	2	2	2
Mr R E Deane	4	4	2	2	1	2
Mr M L C Molesworth	4	4	-	-	-	-
Kathryn J McCann	4	4	2	2	2	2
Dr K W Droste	3	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	54	Mr Brent has 32 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.
Daryl J Vella B.Ec, CA Appointed 11 May 2009	39	Mr Vella has 16 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
DIRECTORS' REPORT continued

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 \$13.1 million (2009 \$6.9 million). Retained profits held at the end of the year for the Company were \$71.5 million (2009: \$61.3 million).

During 2010 \$14.8 million (2009: \$10.2 million) in new annual premiums were written and in force annual premiums increased from \$175.2 million in 2009 to \$181.1 million in 2010. Realised net investment income was \$15.7 million in 2010 (2009: \$11.2 million). Net unrealised investment losses for the year were \$3.9 million (2009: \$4.0 million loss).

Dividends

A dividend of \$2.9 million, (2009: \$2.9 million) 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.

**GENERAL REINSURANCE LIFE AUSTRALIA LTD.
DIRECTORS' REPORT continued**

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 indemnify, 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

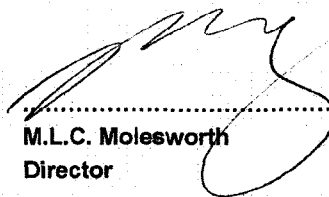
The Auditors' Independence Declaration is included on page 7.

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
Director



.....
M.L.C. Molesworth
Director

Dated 24 March 2011

24 March 2011

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

Dear Board Members

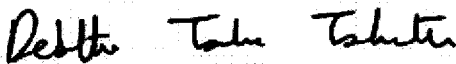
General Reinsurance Life Australia Ltd

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.

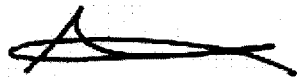
As lead audit partner for the audit of the financial statements of General Reinsurance Life Australia Ltd for the financial year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



Neil Brown
Partner
Chartered Accountants

**GENERAL REINSURANCE LIFE AUSTRALIA LTD.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	Note	2010 \$'000	2009 \$'000
Life insurance premium revenue	8	174,409	159,204
Outward reinsurance expense		<u>(8,320)</u>	<u>(16,733)</u>
Net premium revenue		166,089	142,471
Investment income	8	11,760	7,153
Other revenue	8	<u>214</u>	<u>68</u>
Net revenue		<u>178,063</u>	<u>149,692</u>
Life insurance claims expense	9	(129,763)	(111,171)
Reinsurance recoveries		<u>919</u>	<u>446</u>
Net claim expense		(128,844)	(110,725)
Other expenses	10	(12,644)	(12,281)
Change in life insurance contract policy liabilities	17	(17,422)	(16,244)
Change in life investment contract policy liabilities	17	<u>(891)</u>	<u>(401)</u>
Net Claims and Expenses		<u>(159,801)</u>	<u>(139,651)</u>
Profit before income tax		18,262	10,041
Income tax expense	12(a)	<u>(5,170)</u>	<u>(3,148)</u>
Net Profit		13,092	6,893
Other comprehensive income		-	-
Comprehensive income for the year attributable to the members of General Reinsurance Life Australia LTD. after tax		<u>13,092</u>	<u>6,893</u>

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 2010

	Issued Capital	Retained Earnings	Total
	2010	2010	2010
	\$'000	\$'000	\$'000
Balance at 1 January 2010	19,632	61,319	80,951
Comprehensive income for the year	-	13,092	13,092
Dividends paid	-	(2,920)	(2,920)
Balance at 31 December 2010	19,632	71,491	91,123

	Issued Capital	Retained Earnings	Total
	2009	2009	2009
	\$'000	\$'000	\$'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

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 2010

	Note	2010 \$'000	2009 \$'000
ASSETS			
Cash and cash equivalents	19(a)	34,607	43,163
Outstanding premiums and receivables	13	26,134	22,638
Investments	14	283,049	248,970
Deferred tax asset	12(d)	<u>1,655</u>	<u>1,184</u>
TOTAL ASSETS		<u>345,445</u>	<u>315,955</u>
LIABILITIES			
Trade and other payables	15	59,216	56,086
Current tax liability	12(b)	1,350	-
Deferred tax liability	12(c)	375	564
Provisions	16	2,410	2,174
Life insurance contract policy liabilities	17(a)	182,973	167,716
Life investment contract policy liabilities	17(a)	<u>7,998</u>	<u>8,464</u>
TOTAL LIABILITIES		<u>254,322</u>	<u>235,004</u>
NET ASSETS		<u>91,123</u>	<u>80,951</u>
EQUITY			
Issued Capital	22	19,632	19,632
Retained Profits		<u>71,491</u>	<u>61,319</u>
TOTAL EQUITY		<u>91,123</u>	<u>80,951</u>

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 2010

	Note	2010 \$'000	2009 \$'000
Cash flows from operating activities:			
Premiums received		151,914	157,993
Fees received		214	60
Interest received		20,539	17,242
Policy payments		(117,308)	(104,890)
Commission paid		(2,193)	(2,430)
Income tax paid		(4,320)	(7,241)
Payments to employees and suppliers		<u>(14,370)</u>	<u>(11,842)</u>
Net cash provided by operating activities	19 (c)	<u>34,476</u>	<u>48,892</u>
Cash flows from investing activities:			
Proceeds from maturity of debt securities		95,107	136,611
Purchase of debt securities		<u>(135,218)</u>	<u>(180,072)</u>
Net cash used in investing activities		<u>(40,111)</u>	<u>(43,461)</u>
Cash flows from financing activities:			
Dividends paid		<u>(2,920)</u>	<u>(2,920)</u>
Net cash used in financing activities		<u>(2,920)</u>	<u>(2,920)</u>
Net change in cash and cash equivalents held		(8,555)	2,511
Effect of exchange rate changes on the balance of cash held in foreign currencies		(1)	(299)
Cash and cash equivalents at the beginning of the year		<u>43,163</u>	<u>40,951</u>
Cash and cash equivalents at the end of the year	19(a)	<u>34,607</u>	<u>43,163</u>

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

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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.

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 2011.

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 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 (2010)	1 January 2011
AASB 9	Financial Instruments	1 January 2013

These amendments are not effective for the annual reporting period ended 31 December 2010 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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 shareholder's 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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 relate 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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.

3. ACTUARIAL ASSUMPTIONS AND METHODS

Edward Fabrizio is a fellow of the Institute of Actuaries of Australia. 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 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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 specified by the Life Insurance Act 1995 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 Prudential Standard LPS 2.04 Solvency Standard issued by the Australian Prudential Regulation Authority.

(c) Disclosure of Assumptions

(i) Discount Rates

Australia : Allowance for future interest rates of 5.50% pa (2009: 5.50%) is assumed
New Zealand: Allowance for future interest rates of 5.75% pa (2009: 6.00%) 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 (2009: 2.75%) is assumed
New Zealand: Allowance for future inflation of 2.75% pa (2009: 2.75%) 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 2010 as the best available estimate for 2011. 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.

(iv) Rates of Taxation

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

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

3. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

(c) Disclosure of Assumptions (continued)

(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 (2009: 12.0%)
Disability Income: 15.0% per annum (2009: 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 2010	Australia 2009	New Zealand 2010	New Zealand 2009
Accidental Death	9.0 mths	9.0 mths	9.0 mths	9.0 mths
Death	4.0 mths	4.5 mths	4.0 mths	4.5 mths
Trauma	10.0 mths	9.0 mths	10.0 mths	9.0 mths
TPD	14.0 mths	15.0 mths	14.0 mths	15.0 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

3. ACTUARIAL ASSUMPTIONS AND METHODS (continued)

(d) 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 company as at year end (after tax and retrocession).

	Profit	Retained Earnings
	A\$'000	A\$'000
Current Value	\$13,092	\$71,491
Mortality/Incidence +10%	\$8,531	\$66,930
Mortality/Incidence -10%	\$17,654	\$76,053
Termination rates -10%*	(\$1,381)	\$57,018
Termination rates +10%*	\$27,566	\$85,965

* 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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

4. RISK MANAGEMENT POLICIES AND PROCEDURES

(d) Sensitivity analysis (continued)

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 significantly 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

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 Fund	Shareholders Fund	Total	Statutory Fund	Shareholders Fund	Total
	2010	2010	2010	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit After Income Tax	12,738	354	13,092	6,495	398	6,893
Retained Profits at the Beginning of the Year	59,017	2,302	61,319	55,521	1,825	57,346
Transfers of Profits between Funds	(2,920)	2,920	-	(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	68,835	2,656	71,491	59,016	2,303	61,319
Contributed Equity	7,000	12,632	19,632	7,000	12,632	19,632
Total Shareholder's Interest	75,835	15,288	91,123	91,123	14,935	80,951

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

5. SUMMARY OF SHAREHOLDER'S INTEREST (continued)

Components of Shareholder's Interests in
Statutory Funds (1)

- Shareholder's Capital	7,000	7,000
- Shareholder's Retained Profits (Non-Participating)	<u>68,835</u>	<u>59,016</u>
	<u>75,835</u>	<u>66,016</u>

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.

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.

	Statutory Fund 2010 \$'000	Shareholders Fund 2010 \$'000	Total 2010 \$'000	Statutory Fund 2009 \$'000	Shareholders Fund 2009 \$'000	Total 2009 \$'000
<u>(c) Sources of the Profit :</u>						
From life Insurance contracts						
- Non-Participating Business	7,557	5,181	12,738	3,591	2,904	6,495
Retained Profits at Beginning of the Year	46,250	12,767	59,017	45,659	9,862	55,521
Transfer (to)/from Shareholders' Fund						
- Non-Participating Business	<u>(2,920)</u>	<u>-</u>	<u>(2,920)</u>	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
RETAINED PROFITS AT THE END OF THE YEAR	<u>50,887</u>	<u>17,948</u>	<u>68,835</u>	<u>46,250</u>	<u>12,766</u>	<u>59,016</u>
Components of Retained Profits						
- Shareholders (Non - Participating)	<u>50,887</u>	<u>17,948</u>	<u>68,835</u>	<u>46,250</u>	<u>12,766</u>	<u>59,016</u>

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

7. AUDITOR'S REMUNERATION

Statutory Shareholders		Total	Statutory Shareholders		Total
Funds	Fund		Funds	Fund	
2010	2010	2010	2009	2009	2009
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Amounts received or due and receivable for audit fees by:

- Auditors of the Company	195,041	47,741	242,782	87,271	6,947	94,218
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8. REVENUE

Life insurance contract premium revenue	174,409	-	174,409	159,204	-	159,204
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Other revenue

Exchange Gains	65	-	65	12	-	12
Seminar fees	149	-	149	56	-	56
	214	-	214	68	-	68

Investment income

Unrealised Gains /(Losses) on investments	(3,664)	(233)	(3,897)	(3,529)	(521)	(4,050)
Interest income	14,439	844	15,283	13,868	913	14,781
Realised gain/(Losses)	374	-	374	(3,578)	-	(3,578)

<i>Investment income</i>	11,149	611	11,760	6,761	392	7,153
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GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

9. LIFE INSURANCE CLAIMS EXPENSE

	Statutory Shareholders		Total	Statutory Shareholders		Total
	Funds	Fund		Funds	Fund	
	2010	2010	2010	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Death & disability	129,763	-	129,763	111,171	-	111,171

10. OTHER EXPENSES

	Statutory Shareholders		Total	Statutory Shareholders		Total
	Funds	Fund		Funds	Fund	
	2010	2010	2010	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Policy Acquisition - Life Insurance contracts</u>						
Commission	2,193	-	2,193	2,431	-	2,431
<u>Policy Maintenance</u>						
Management Expenses	10,170	67	10,237	9,613	8	9,621
Investment Management	194	20	214	181	48	229
Total Administration Expenses	12,557	87	12,644	12,225	56	12,281
<u>Analysis of expenses by nature</u>						
Employee benefits expense	5,964	-	5,964	6,076	-	6,076
Other expenses	6,593	87	6,680	6,149	56	6,205
Total	12,557	87	12,644	12,225	56	12,281

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

11. COMPONENTS OF PROFITS

	Statutory Funds 2010 \$'000	Shareholders Fund 2010 \$'000	Total 2010 \$'000	Statutory Funds 2009 \$'000	Shareholders Fund 2009 \$'000	Total 2009 \$'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	25,444	-	25,444	12,143	-	12,143
Difference between actual and assumed experience	(12,895)	-	(12,895)	(3,753)	-	(3,753)
Investment earnings on assets in excess of Life Insurance policy liabilities	189	354	543	(1,895)	398	(1,497)
Profit/(loss) for the Year	12,738	354	13,092	6,495	398	6,893

12. INCOME TAX

Note 12 a)

	2010 \$'000	2009 \$'000
Income tax expense		
Current tax	6,055	4,961
Deferred tax	(885)	(1,813)
Total tax expense charged to statement of comprehensive income	5,170	3,148
Reconciliation between profit before tax and tax expense		
Profit before tax	18,262	10,042
Tax at the effective tax rate of 30% (2009: 30%)	5,479	3,012
Tax effect of non-deductible expenses	12	127
Tax expense attributable to policyholders	(321)	9
Tax charge for the year	5,170	3,148

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 28.3%. (2009 31.35%).

At 31 December 2010 the Company had carried forward tax losses of \$4.0m available to offset future tax expense. These losses have not been recognised as deferred tax assets in current or prior years (2009 losses of \$5.2m)

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

12. INCOME TAX (continued)

12 b)	2010	2009
	\$'000	\$'000

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

Current tax liability

Opening balance	-	1,374
Income tax paid	(4,247)	(7,242)
Current tax	5,413	4,961
Assumed profits tax	-	-
Tax receivable New Zealand	-	630
(over)/under provision	184	51
	<u>1,350</u>	<u>(226)</u>
Balance transferred to DTA	-	226
Closing balance	<u>1,350</u>	<u>-</u>

12 c)

Deferred Tax Liability (DTL)

	Opening Balance	2010 Income Movement	Closing Balance
	\$'000	\$'000	\$'000
Accrued Interest	564	(189)	375

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

12 d)

Deferred Tax Asset (DTA)

	2010		
	Income	Closing	
Opening Balance	Movement	Balance	
\$'000	\$'000	\$'000	
Investments	267	619	886
Provisions	691	78	769
	958	697	1,655

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

12. INCOME TAX (continued)

12 d) (continued)

Deferred Tax Asset (DTA)

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

13. OUTSTANDING PREMIUMS AND RECEIVABLES

	Statutory Shareholders		Total	Statutory Shareholders		Total
	Funds	Fund		Funds	Fund	
	2010	2010	2010	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Outstanding Premiums	24,283	-	24,283	19,096	-	19,096
Other Receivables	1,787	64	1,851	3,393	149	3,542
	26,070	64	26,134	22,489	149	22,638
Receivables expected to be realised within 12 months	25,753	64	25,817	22,477	149	22,626
Receivables expected to be realised in more than 12 months	317	-	317	12	-	12
Total	26,070	64	26,134	22,489	149	22,638

14. INVESTMENTS

Debt securities

National Government	267,598	15,451	283,049	234,789	14,181	248,970
Total debt securities	267,598	15,451	283,049	234,789	14,181	248,970

Total financial assets at fair value through profit or loss

Expected to be realised within 12 months	128,296	9,271	137,567	77,454	6,035	83,489
Expected to be realised in more than 12 months	139,302	6,180	145,482	157,335	8,146	165,481
	267,598	15,451	283,049	234,789	14,181	248,970

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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 backed AAA investments. The average duration of investment is 2.05 years (2009: 1.42 years) with maturities ranging from 15 June 2011 to 15 April 2015. Interest rates will vary in accordance with economic conditions. The average interest rate on these investments as at the end of the year is 5.72 %pa (2009: 5.68%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 Derivative Risk Statement (DRS). The Board has not authorised the Company to conduct derivatives trading.

15. TRADE AND OTHER PAYABLES

	Statutory Shareholders			Statutory Shareholders		
	Funds	Fund	Total	Funds	Fund	Total
	2010	2010	2010	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Outstanding life contracts claims payable	50,013	-	50,013	38,182	-	38,182
Accruals	668	39	707	764	34	798
Amounts owing to Related entities	8,117	-	8,117	17,106	-	17,106
Other Payables	379	-	379	-	-	-
	<u>59,177</u>	<u>39</u>	<u>59,216</u>	<u>56,052</u>	<u>34</u>	<u>56,086</u>

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

16. PROVISIONS

	Statutory Shareholders			Statutory Shareholders		
	Funds	Fund	Total	Funds	Fund	Total
	2010	2010	2010	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee Entitlements	2,410	-	2,410	2,174	-	2,174
	<u>2,410</u>	<u>-</u>	<u>2,410</u>	<u>2,174</u>	<u>-</u>	<u>2,174</u>
Payable within 12 months	1,975	-	1,975	1,751	-	1,751
Payable after 12 months	435	-	435	423	-	423
	<u>2,410</u>	<u>-</u>	<u>2,410</u>	<u>2,174</u>	<u>-</u>	<u>2,174</u>

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

17. POLICY LIABILITIES

(a) Reconciliation of movements in policy liabilities

	2010 \$'000	2009 \$'000
Life investment contract liabilities		
Gross life investment contract liabilities at 1 January	8,464	8,763
Net increase/(decrease) in life investment contract policy liabilities reflected in the statement of comprehensive income	891	401
Life investment contract contributions recognised in policy liabilities	23	460
Life investment contract withdrawals recognised in policy liabilities	(1,380)	(1,160)
Gross life investment contract liabilities at 31 December	7,998	8,464
Life insurance contract liabilities		
Gross life insurance contract liabilities at 1 January	168,625	152,504
Unrealised exchange difference on opening New Zealand balance	(2,632)	(437)
Deposit component of life insurance contract premiums	467	298
Withdrawal component of life insurance contract claims	-	-
Increase/(decrease) in life insurance contract liabilities reflected in the statement of comprehensive income	17,312	16,260
Gross life insurance contract liabilities at 31 December	183,772	168,625
Reinsurer's share of life insurance liabilities		
Opening balance at 1 January	(909)	(893)
Unrealised exchange difference on opening New Zealand balance	-	-
Increase/(decrease) in reinsurance assets reflected in the statement of comprehensive income	110	(16)
Gross reinsurer's share of life insurance liabilities at 31 December	(799)	(909)
Total life insurance contract liabilities	182,973	167,716
Net policy liabilities at 31 December		
Expected to be realised within 12 months	85,689	79,052
Expected to be realised in more than 12 months	105,282	97,128
	190,971	176,180

(b) Components of net life insurance contract liabilities

Future policy benefits	260,302	247,720
Future charges for acquisition costs	(69,331)	(71,540)
Total net life insurance contract liabilities	190,971	176,180

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010 \$'000	Statutory Fund 2 2010 \$'000	Statutory Fund 1 2009 \$'000	Statutory Fund 2 2009 \$'000
SOLVENCY REQUIREMENT	A	222,287	56,572	183,668	56,247
Represented by:					
- Minimum Termination Value		162,023	46,897	133,486	43,604
- Other Liabilities		56,552	7,820	47,536	11,011
- Solvency Reserve	B	3,712	1,855	2,646	1,632
		222,287	56,572	183,668	56,247
ASSETS AVAILABLE FOR SOLVENCY RESERVE	C	43,970	14,712	53,250	12,767
Comprised of:					
- Excess of Net Policy Liability over Minimum Termination Value		(13,917)	(3,235)	-	-
- Excess Assets		57,887	17,947	53,250	12,767
		43,970	14,712	53,250	12,767
Solvency Reserve % : (B / (A-B)) x 100		1.70%	3.39%	1.46%	2.99%
Coverage of Solvency Reserve :	C/B	11.85	7.93	20.13	7.82

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

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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

18. DISAGGREGATED INFORMATION OF LIFE INSURANCE BUSINESS BY FUND

	Statutory Fund 1 2010 \$'000	Statutory Fund 2 2010 \$'000	Shareholders Fund 2010 \$'000	Total 2010 \$'000
Investments	208,683	58,914	15,452	283,049
Other assets	50,674	10,883	839	62,396
Life insurance contract policy liabilities	139,321	43,652	-	182,973
Life investment contract policy liabilities	7,998	-	-	7,998
Other Liabilities	54,857	8,197	297	63,351
Retained earnings	50,887	17,948	2,656	71,491
Net premium revenue	136,481	29,608	-	166,089
Other income	150	64	-	214
Investment income	7,979	3,170	611	11,760
Net Claims expense	(110,960)	(17,884)	-	(128,844)
Other expenses	(22,834)	(8,035)	(88)	(30,957)
Profit before tax	10,816	6,923	523	18,262
Profit after tax	7,557	5,181	354	13,092
Transfers from/(to) other funds	(2,920)	-	2,920	-
	4,637	5,181	3,274	13,092
	2009 \$'000	2009 \$'000	2009 \$'000	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
Investment income	56	12	-	68
Net Claims expense	5,158	1,603	392	7,153
Other expenses	(93,831)	(16,894)	-	(110,725)
Profit before tax	(24,194)	(4,676)	(56)	(28,926)
	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

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

19. CASH AND CASH EQUIVALENTS

a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, 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 Statement of Financial Position as follows:

	Statutory Shareholders		Total	Statutory Shareholders		Total
	Funds	Fund		Funds	Fund	
	2010	2010	2010	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	33,885	722	34,607	41,866	1,297	43,163

b) Interest Rate Risk

Cash and cash equivalents are represented by current accounts with major Australian and New Zealand 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

	2010	2009
	\$'000	\$'000
Profit after tax	13,092	6,893
<u>Add/(less) items classified as investing/financing activities:</u>		
Realised (gains)/ losses on investments	(374)	3,578
Purchased interest	1,640	2,423
Accrued interest included in settlements	(90)	-
<u>Add/(less) non cash items:</u>		
Unrealised loss/(gain) on investments	3,897	4,050
Unrealised exchange differences	965	186
Net cash provided by operating activities before change in assets and liabilities	19,130	17,130
<u>Change in assets and liabilities during the financial year:</u>		
(Increase) / decrease in outstanding premium	(5,187)	13,450
(Increase) / decrease in other debtors	1,031	(944)
(Increase) / decrease in accrued investment income	660	2,068
(Increase) / decrease in amount due to related entity	(281)	(1,184)
(Increase) / decrease in deferred tax assets	(471)	(1,079)
(Decrease) / increase in amount owing to controlling entity	(8,711)	992
(Decrease) / increase in reinsurance claims payable	11,831	4,595
(Decrease) / increase in payables	286	(114)
(Decrease) / increase in employee entitlements	236	399
(Decrease) / increase in deferred tax liability	(189)	(854)
(Decrease) / increase in current tax liability	1,350	(1,374)
(Decrease) / increase in policy liabilities	14,791	15,807
Net cash inflow from operating activities	34,476	48,892

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

20. RELATED PARTIES

Ultimate Controlling Entity

The immediate controlling entity is General Reinsurance 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 New England Asset Management (NEAM) in Dublin, Ireland 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 General Reinsurance AG (GRAG). Transactions under these agreements and the amounts due to or from the parent and associated entities are as follows:

	2010 GRAG \$'000	2010 GRA \$'000	2009 GRAG \$'000	2009 GRA \$'000
Retrocession premiums	(8,320)	-	(16,318)	-
Retrocession claims	918	-	446	-
Other	238	-	(1)	-
Management expenses	-	(951)	-	(1,231)
Net amount owing to Controlling Entity and GRA	(7,164)	(951)	(15,873)	(1,231)

Commonly Controlled Entity

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

Dividends for the year ended 31 December 2009 paid to General Reinsurance AG in 2010 were \$2,920,000 and a dividend of \$2,920,000 has been paid for the year ended 31 December 2010.

Investment management expenses amounting to \$214k (2009: \$228k) were paid to NEAM for investment services rendered.

The Company had a related party liability with General Reinsurance Australia LTD. (GRA) of \$951k (2009: \$1,231k).

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

21. KEY MANAGEMENT PERSONNEL REMUNERATION

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

	2010 \$'000	2009 \$'000
(a) short-term employee benefits	1,527	1,832
(b) post-employment benefits	-	-
(c) other long-term benefits	15	17
(d) termination benefits	-	-
(e) share-based payment	-	-
Total	<u>1,542</u>	<u>1,849</u>

22. ISSUED CAPITAL

	Statutory Shareholders			Statutory Shareholders		
	Fund	Fund	Total	Fund	Fund	Total
	2010	2010	2010	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
831,608 ordinary shares (2009: 831,608), fully paid	-	12,632	12,632	-	12,632	12,632
7,000 redeemable preference shares, fully paid	<u>7,000</u>	<u>-</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
	<u>7,000</u>	<u>12,632</u>	<u>19,632</u>	<u>7,000</u>	<u>12,632</u>	<u>19,632</u>

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.

	Statutory Shareholders			Statutory Shareholders		
	Fund	Fund	Total	Fund	Fund	Total
	2010	2010	2010	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Movement in Issued Capital						
- Ordinary Shares						
Opening balance	-	12,632	12,632	-	12,632	12,632
Additional Capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing Balance	<u>-</u>	<u>12,632</u>	<u>12,632</u>	<u>-</u>	<u>12,632</u>	<u>12,632</u>

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

23. CAPITAL TRANSFERS TO STATUTORY FUND

	Statutory Shareholders		Total	Statutory Shareholders		Total
	Fund	Fund		Fund	Fund	
	2010	2010	2010	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital Transfers to Statutory Fund						
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)	-

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 Director's ensure that the Company has adequate capital as prescribed under the Life Act. The Company's overall strategy remains unchanged from 2009.

(c) Categories of financial instruments

	Note	2010 \$'000	2009 \$'000
Financial assets			
Fair value through statement of comprehensive income (i)	14	283,049	248,970
Cash and cash equivalents	19(a)	34,608	43,163
Financial liabilities			
Trade and other Payables		59,216	56,086

(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'.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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 maintained 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 2009.

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 statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of retrocession.

	Note	2010 \$'000	2009 \$'000
Financial assets			
Cash and cash equivalents	19(a)	34,607	43,163
Financial assets at fair value through profit or loss			
Government Securities	14	283,049	248,970
Loans and receivables			
Premiums receivable	13	24,283	19,096
Other debtors and prepayments	13	1,850	3,542
Deferred tax asset	12(d)	1,655	958
Total		345,444	315,729

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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 2009.

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 \$'000	1-5 years \$'000	5+ years \$'000	Adjust- ment \$'000	Total \$'000
2010						
Outstanding claims liabilities	-	50,013	-	-	-	50,013
Financial liabilities						
Payables	-	9,202	-	-	-	9,202
Income tax payable	-	1,725	-	-	-	1,725
Employee entitlements	-	1,975	435	-	-	2,410
Total		62,915	435	-	-	63,350
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

The Company has no significant concentration of liquidity risk.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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 when 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 \$'000	1-5 years \$'000	5+ years \$'000	Adjust- ment \$'000	Total \$'000
2010						
Non-interest bearing:						
Cash	-	793	-	-	-	793
Net trade debtors	-	24,283	-	-	-	24,283
Other insurance receivables	-	1,851	-	-	-	1,851
Receivable from related party						
Variable interest rate instruments:						
Cash	3.77	33,814	-	-	-	33,814
Fixed interest rate instruments:						
Government securities	4.26	137,567	145,482	-	-	238,049
Total		198,308	145,482	-	-	343,790

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

**GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

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	2010	2009
	\$'000	\$'000
100 basis point increase or decrease on profit (+/-)	2,830	3,287

Foreign currency risk management

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

The Company is mainly exposed to 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 2009.

The net carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities (2010: \$17.9m, 2009: \$54.6m) at the reporting date is as follows:

	Assets	
	2010	2009
	AUD	AUD
	\$'000	\$'000
New Zealand dollars	69,797	67,335

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	
		2010 AUD \$'000	2009 AUD \$'000	2010 AUD \$'000	2009 AUD \$'000
Profit or loss	(i)	(548)	(268)	670	327
Other equity	(ii)	(1,161)	(1,164)	1,419	1,423

(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.

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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, 2010 summarized in the following table by the inputs applicable to the fair value measurements (in thousands).

GENERAL REINSURANCE LIFE AUSTRALIA LTD.
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

24. FINANCIAL INSTRUMENTS (cont'd)

2010	Total Fair Value	Quoted prices	Significant Other Observable Inputs	Significant unobservable inputs
Investments		Level 1	Level 2	Level 3
Fixed maturities bonds				
Obligations of Australia and New Zealand governments	283,049	-	283,049	-
Total fixed maturities	283,049	-	283,049	-

2009	Total Fair Value	Quoted prices	Significant Other Observable Inputs	Significant unobservable inputs
Investments		Level 1	Level 2	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, 2010.

There were no transfers between levels during the year.

25. ADDITIONAL INFORMATION

	Total	Total
	2010	2009
Number of Employees	23	26
Type of Company: Unlisted public company		

26. CONTINGENCIES

There are no outstanding contingencies during the year. (2009: Nil)

**GENERAL REINSURANCE LIFE AUSTRALIA LTD.
DIRECTORS' DECLARATION**

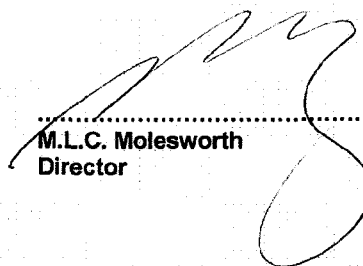
In the opinion of The Directors of General Reinsurance Life Australia Ltd. ("the Company"):

- (a) the financial report and notes, set out on pages 8 to 41, 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 2010 and of its performance, as represented by the results of its 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.
- (c) in the directors' opinion, the financial statement and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the Directors made in pursuant to s.295(5) of the Corporations Act 2001:
reporting standards issued by the International Accounting Standards Board – see GRA's



.....
F.A. McDonald
Director



.....
M.L.C. Molesworth
Director

Dated 24 March, 2011

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 2010, the statement of comprehensive income, the statement of cash flows and statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 8 to 42.

Directors' Responsibility for the Financial Report

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of General Reinsurance Life Australia Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2010 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 statements also comply with International Financial Reporting Standards as disclosed in Note 1.



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants
24 March 2011