

Financial Sector (Collection of Data) Determinations Nos. 1 to 29 of 2005 – reporting standards applying to general insurers

EXPLANATORY STATEMENT

Issued by the authority of the Australian Prudential Regulation Authority ('APRA')

Financial Sector (Collection of Data) Act 2001 ('FSCOD Act'), s 13(1)(a) and s 15

Acts Interpretation Act 1901, s 33(3)

Subsection 13(1) of the FSCOD Act provides that APRA may, by writing, determine reporting standards that are required to be complied with by financial sector entities. Section 15 of the FSCOD Act gives APRA power to make a formal declaration of the date when reporting standards begin to apply. (Although s 15(2) provides for such declarations to be published in the *Gazette*, s 56(1) of the *Legislative Instruments Act 2003* provides that this requirement is fulfilled by registration on the Federal Register of Legislative Instruments.) Subsection 33(3) of the Acts Interpretation Act gives APRA power to revoke reporting standards so made.

Financial Sector (Collection of Data) Determinations Nos. 1 to 28 of 2005 determine new reporting standards which will apply to general insurers (within the meaning of the *Insurance Act 1973*). Determination No. 29 of 2005 revokes certain reporting standards which the new ones replace.

The purpose of revoking and replacing the old reporting standards is to formalise annual reporting requirements for the purposes of the definition of 'yearly statutory accounts' in the Insurance Act (which that Act requires to be audited) and a number of technical changes. In addition, the new reporting standards improve the drafting style, e.g. by placing definitions in an interpretation provision (rather than in footnotes).

To simplify compliance with the *Legislative Instruments Act 2003*, APRA has chosen to revoke and replace the pre-existing reporting standards, rather than amend them.

The new reporting standards will have effect in respect of reporting periods ending on or after 30 June 2005. They will formally begin to apply (under s 15 of the FSCOD Act) on the later of 1 July 2005 and the date of registration on the Federal Register of Legislative Instruments. Each old reporting standard will be revoked on the date the new standard replacing it comes into effect.

Financial Sector (Collection of Data) Determination No. 1 of 2005: Reporting Standard GRS 110.0 (2005) Minimum Capital Requirement

The purpose of this standard is to require an insurer to calculate its capital base for the purpose of deriving a capital adequacy measure and for APRA to gauge an insurer's compliance with the minimum capital requirement in *Prudential Standard GPS 110 Capital Adequacy*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 2 of 2005: Reporting Standard GRS 120.0 (2005) Determination of Capital Base

The purpose of this standard is to require an insurer to provide information which is used by APRA to assess an insurer's compliance with the composition of its capital base as necessary under the capital adequacy requirements of *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 3 of 2005: Reporting Standard GRS 130.0 (2005) Off-Balance Sheet Business - Credit Substitutes Provided and Risk Charge

The purpose of this standard is to require an insurer to calculate the capital charge applicable to their off-balance sheet exposures for capital adequacy purposes and for APRA to assess an insurer's compliance with the capital adequacy requirements of *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 4 of 2005: Reporting Standard GRS 130.1 (2005) Off-Balance Sheet Business - Liquidity Support Facilities Obtained

The purpose of this standard is to require an insurer to report its off-balance sheet exposures in the form of liquidity support facilities contracted by the insurer, thereby providing data which is used by APRA to assess an insurer's compliance with the capital adequacy requirements of *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 5 of 2005: Reporting Standard GRS 130.2 (2005) Off-Balance Sheet Business - Charges Granted and Risk Charge

The purpose of this standard is to require an insurer to report its off-balance sheet exposures in the form of charges given and capital charge, thereby providing data which is used by APRA to assess an insurer's compliance with the capital adequacy requirements of *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 6 of 2005: Reporting Standard GRS 130.3 (2005) Off-Balance Sheet Business - Credit Support Received

The purpose of this standard is to require an insurer to provide information to APRA on any guarantees or other form of direct credit support provided to the insurer so APRA can assess its calculation of the capital adequacy charge as required by *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 7 of 2005: Reporting Standard GRS 140.0 (2005) Investments - Direct Interest Rate Holdings and Risk Charge

The purpose of this standard is to require an insurer to provide information which is used by APRA to obtain an investment profile of the insurer and to calculate in part the prudential Investment Risk Charge as required by *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 8 of 2005: Reporting Standard GRS 140.1 (2005) Investments - Direct Equity Holdings and Risk Charge

The purpose of this standard is to require an insurer to provide information which is used by APRA to obtain an investment profile of the insurer and to calculate in part the prudential Investment Risk Charge as required by *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 9 of 2005: Reporting Standard GRS 140.2 (2005) Investments - Direct Property Holdings and Risk Charge

The purpose of this standard is to require an insurer to provide information which is used by APRA to obtain an investment profile of the insurer and to calculate in part the prudential Investment Risk Charge as required by *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 10 of 2005: Reporting Standard GRS 140.3 (2005) Investments - Loans and Advances and Risk Charge

The purpose of this standard is to require an insurer to provide information which is used by APRA to obtain an investment profile of the insurer and to calculate in part the prudential Investment Risk Charge as required by *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 11 of 2005: Reporting Standard GRS 140.4 (2005) Investments - Assets Indirectly Held by Insurer and Risk Charge

The purpose of this standard is to require an insurer to provide information which is used by APRA to obtain an investment profile of the insurer and to calculate in part the prudential Investment Risk Charge as required by *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 12 of 2005: Reporting Standard GRS 150.0 (2005) Asset Concentration and Risk Charge

The purpose of this standard is to require an insurer to provide information which is used by APRA to assess an insurer's asset concentrations in accordance with the capital adequacy requirements of *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 13 of 2005: Reporting Standard GRS 160.0 (2005) Derivative Activity and Risk Charge

The purpose of this standard is to require an insurer to provide the information which is used to calculate the required capital charge associated with an insurer's exposure to derivative financial instruments and is based on the Prescribed Method set out in *Prudential Standard GPS 110 Capital Adequacy for General Insurers*. It thus enables APRA to assess an insurer's compliance with the prudential standard.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 14 of 2005: Standard GRS 170.0 (2005) Maximum Event Retention and Risk Charge

The purpose of this standard is to require an insurer to report its maximum event retention in order for APRA to assess the insurer's compliance with the capital

adequacy requirements of *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 15 of 2005: Reporting Standard GRS 210.0 (2005) Outstanding Claims Provision - Insurance Risk Charge

The purpose of this standard is to require an insurer to calculate the risk capital charge associated with the insurer's outstanding claims provision in accordance with *Prudential Standard GPS 110 Capital Adequacy for General Insurers* and *Prudential Standard GPS 210 Liability Valuation for General Insurers*. This enables APRA to assess its compliance with the standards.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 16 of 2005: Reporting Standard GRS 210.1 (2005) Premium Liabilities - Insurance Risk Charge

The purpose of this standard is to require an insurer to report its claims liabilities in accordance with the requirements in *Prudential Standard GPS 110 Capital Adequacy for General Insurers* and *Prudential Standard GPS 210 Liability Valuation for General Insurer*. This enables APRA to assess its compliance with the standards.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 17 of 2005: Reporting Standard GRS 300.0 (2005) Statement of Financial Position

The purpose of this standard is to require an insurer to provide information which is used by APRA to assess an insurer's compliance with the capital adequacy requirements of *Prudential Standard GPS 110 Capital Adequacy for General Insurers*.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 18 of 2005: Reporting Standard GRS 310.0 (2005) Statement of Financial Performance

The purpose of this standard is to require an insurer to provide information which will be used by APRA for the purposes of the prudential supervision of regulated insurers and to obtain a profile of the nature and diversification of the financial performance of the insurer.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 19 of 2005: Reporting Standard GRS 310.1 (2005) Premium Revenue and Reinsurance Expense

The purpose of this standard is to require an insurer to provide information which will be used by APRA for the purposes of the prudential supervision of regulated insurers and to obtain a profile of the nature and diversification of the underwriting income and business of the insurer.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 20 of 2005: Reporting Standard GRS 310.2 (2005) Claims Expense and Reinsurance Recoveries

The purpose of this standard is to require an insurer to provide information which will be used by APRA for the purposes of the prudential supervision of regulated insurers and to obtain a profile of the nature and performance of the underwriting business of the insurer.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 21 of 2005: Reporting Standard GRS 310.3 (2005) Investment and Operating Income and Expense

The purpose of this standard is to require an insurer to provide information which will be used by APRA for the purposes of the prudential supervision of regulated insurers and to obtain a profile of the source and diversification of investment income and operating expenses of the insurer.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 22 of 2005: Reporting Standard GRS 320.0 (2005) Reconciliation of Annual Disclosure

The purpose of this standard is to require an insurer to provide information which will be used by APRA to reconcile the public financial disclosure of insurers with the financial disclosure reported to APRA and the extent and materiality of any differences.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 23 of 2005: Reporting Standard GRS 400.0 Statement of Risk by Country

The purpose of this standard is to require an insurer to provide information which will be used by APRA to obtain selected details on business written by insurers outside Australia in order to gain understanding of their financial exposure by country or region.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No.24 of 2005: Reporting Standard GRS 410.0 (2005) Movement in Outstanding Claims Provision

The purpose of this standard is to require an insurer to provide information to APRA regarding the balance of the outstanding claims provision by class of business, reserves/provisions that have been released by class of business and additions/increments in the provisions of a class of business, to assess moves in the provision for claims liabilities. It will be used by APRA for general prudential supervision purposes.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 25 of 2005: Reporting Standard GRS 420.0 (2005) Premium Revenue by State of Australia

The purpose of this standard is to require an insurer to provide information which will be used by APRA to monitor the source and diversification/concentration of underwriting business in the states of Australia.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 26 of 2005: Reporting Standard GRS 430.0 (2005) Claims Expense by State of Australia

The purpose of this standard is to require an insurer to provide information which will be used by APRA to monitor the source and diversification/concentration of underwriting business in the states of Australia.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 27 of 2005: Reporting Standard GRS 440.0 (2005) Claims Development Tables

The purpose of this standard is to require an insurer to provide information which will be used to obtain details on premium liabilities by class of business, which supports the summarised underwriting result disclosed in the Statement of Financial Performance (underwriting and profit and loss account). The information from this standard will be used by APRA for general prudential supervision purposes.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No. 28 of 2005: Reporting Standard GRS 450.0 (2005) Interest in Controlled Entities and Joint Ventures

The purpose of this standard is to require an insurer to provide information which will be used by APRA to gain a profile of the insurer, particularly with respect to its controlled entities and joint venture operations.

A Regulation Impact Statement is not required for this reporting standard as the changes are of a minor or machinery nature.

Financial Sector (Collection of Data) Determination No.29 of 2005

This revokes the old reporting standards applying to general insurers. However, it is not intended to disturb any accrued obligations under an old reporting standard. If a reporting period for an insurer under one of the old standards ended before 30 June 2005, the insurer will still be required to report under that old standard. The new standards will apply in respect of reporting periods ending on or after 30 June 2005.

Consultation

Consultation on the original reporting standards

As noted, the new reporting standards substantially reflect the requirements of the old ones. Accordingly it is relevant to refer to the consultation that took place in relation to the old reporting standards.

Preparation and consultation for the old reporting standards (made in 2002) began soon after the *General Insurance Reform Act 2001* passed through Parliament. (This Act gave effect to a new general insurance regime.)

There were two rounds of industry consultation. The first began in late 2001 and identified many issues which were considered and addressed. The second began in April 2002, and few comments were received from industry. Of those who did comment, there was support for the overall objectives of modernisation and rationalisation.

Consultation on the implementation also took place with each individual general insurer, either through letters, phone discussions, on-site visits or a mixture of some or all of these means. The major industry body, the Insurance Council of Australia was also consulted. All industry bodies consulted were supportive of the original reporting standards.

Consultation on the new reporting standards

The original reporting standards in the 100, 200 and 300 series required insurers to lodge quarterly reporting forms. They did not require the lodgement of an additional reporting form for the financial year. However, the practice has been for insurers to do so.

In March 2005, APRA wrote to all general insurers and advised that APRA was proposing to bring each of the reporting standards in the 100, 200 and 300 series into

line with the then current reporting arrangements by formalising the requirement to lodge an annual reporting form.

APRA received seven submissions in response to the consultation letter, all of which expressed no objection to the proposed changes.