Life Insurance (prudential standard) determination No. 8 of 2012

Prudential Standard LPS 100 Solvency Standard

Life Insurance Act 1995

I, Ian Laughlin, delegate of APRA:

(a)   under subsection 230A(5) of the *Life Insurance Act 1995* (the Act) REVOKE Life Insurance (prudential standard) determination No. 7 of 2010, including *Prudential Standard LPS 2.04 Solvency Standard* made under that Determination; and

(b)   under subsection 230A(1) of the Act DETERMINE *Prudential Standard LPS 100 Solvency Standard*, in the form set out in the Schedule, which applies to all life companies, including friendly societies.

This instrument takes effect on 1 January 2013.

Dated: 30 November 2012

[Signed]

Ian Laughlin
Member

Interpretation

In this Determination:

APRA means the Australian Prudential Regulation Authority.

life company has the meaning given in the Dictionary to the Act.

friendly society has the meaning given in section 16C of the Act.

Schedule

Prudential Standard LPS 100 Solvency Standard comprises the 3 pages commencing on the following page.

Prudential Standard LPS 100

Solvency Standard

Objective and key requirements of this Prudential Standard

This Prudential Standard is made for the purposes of the *Life Insurance Act 1995*.

The *Life Insurance Act 1995* makes provision for prudential standards in relation to the solvency of statutory funds.

This standard is a prudential standard in relation to solvency for the purposes of sections 3, 52, 62, 63 and 159 of the *Life Insurance Act 1995*. This Prudential Standard is satisfied in relation to a statutory fund if the capital base of the fund exceeds 90 per cent of the fund's prescribed capital amount.

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Authority

1. This Prudential Standard is made under paragraph 230A(1)(a) of the *Life Insurance Act 1995* (the Act).

Application

2. This Prudential Standard applies to all life companies including **friendly societies** (together referred to as **life companies**) registered under the Act[1], except where expressly noted otherwise.

3. A life company must apply this Prudential Standard separately:

    (a)   for a life company other than a friendly society: to each of its statutory funds; and

    (b)   for a friendly society: to each of its approved benefit funds.

4. This Prudential Standard only applies to the business of an **Eligible Foreign Life Insurance Company** which is carried on through its Australian statutory funds but not otherwise.[2]

5. This Prudential Standard applies to life companies from 1 January 2013.

6. This Prudential Standard applies only for the purposes of sections 3, 52, 62, 63 and 159 of the Act. Should these sections cease to contain references to prudential standards in relation to solvency, this Prudential Standard will cease to have effect.

Interpretation

7. Terms that are defined in *Prudential Standard LPS 001 Definitions* appear in bold the first time they are used in this Prudential Standard.

8. Unless otherwise indicated, the term **statutory fund** will be used to refer to a statutory fund of a life company other than a friendly society, or an approved benefit fund of a friendly society, as relevant.

9. This Prudential Standard is a prudential standard in relation to solvency for the purposes of sections 52, 62, 63 and 159 of the Act and a direction given to a life company under section 230B of the Act to comply with a requirement of this Prudential Standard is a direction in relation to solvency for the purposes of sections 62, 63 and 159 of the Act.

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[1]   Refer to subsection 21(1) of the Act.
[2]   Refer to section 16ZD of the Act.

Solvency requirement

10.   A statutory fund satisfies the requirements of this Prudential Standard if the **capital base** of the fund exceeds 90 per cent of the fund's **prescribed capital amount**.

Adjustments and exclusions

11.   APRA may, by notice in writing to a life company, adjust or exclude a specific requirement in this Prudential Standard in relation to that life company.