



# **Financial Sector (Collection of Data) (reporting standard) determination No. 22 of 2013**

## **Reporting Standard GRS 410.0 Movement in Outstanding Claims Liabilities**

### *Financial Sector (Collection of Data) Act 2001*

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I, Ian Laughlin, delegate of APRA, under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001* (the Act) DETERMINE *Reporting Standard GRS 410.0 Movement in Outstanding Claims Liabilities*, in the form set out in the Schedule, which applies to the financial sector entities to the extent provided in paragraph 3 of the reporting standard.

Under section 15 of the Act, I DECLARE that the reporting standard shall begin to apply to those financial sector entities on 1 January 2013.

This instrument commences on the day it is signed.

Dated: 12 February 2013

*[Signed]*

Ian Laughlin  
Member

## **Interpretation**

In this Determination:

*APRA* means the Australian Prudential Regulation Authority.

*financial sector entity* has the meaning given in section 5 of the Act.

## **Schedule**

*Reporting Standard GRS 410.0 Movement in Outstanding Claims Liabilities* comprises the 9 pages commencing on the following page.



## Reporting Standard GRS 410.0

### Movement in Outstanding Claims Liabilities

#### Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to the movement in a general insurer's outstanding claims liabilities.

It includes *Form GRF 410.0 Movement in Outstanding Claims Liabilities* and associated specific instructions and must be read in conjunction with the general instruction guide.

#### Authority

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001*.

#### Purpose

2. Information collected in *Form GRF 410.0 Movement in Outstanding Claims Liabilities* (GRF 410.0) is used by APRA for the purpose of prudential supervision including assessing compliance with the capital standards.

#### Application and commencement

3. This Reporting Standard applies to all general insurers authorised under the *Insurance Act 1973* (insurers). This Reporting Standard applies for reporting periods ending on or after 1 January 2013.

#### Information required

4. An insurer must provide APRA with the information required by Form GRF 410.0 for each reporting period.

## Forms and method of submission

5. The information required by this Reporting Standard must be given to APRA in electronic format using the 'Direct to APRA' application or, where 'Direct to APRA' is not available, by a method notified by APRA prior to submission.

*Note:* The 'Direct to APRA' application software may be obtained from APRA.

## Reporting periods and due dates

6. Subject to paragraph 7, an insurer must provide the information required by this Reporting Standard in respect of each financial year of the insurer.

*Note:* The annual information required from an insurer by paragraphs 4, 5 and 6, together with certain annual information required by other reporting standards, will form part of the insurer's yearly statutory accounts within the meaning of section 3 of the *Insurance Act 1973* (the Insurance Act). This means that the information must be audited in accordance with paragraph 49J(1)(a) of the Insurance Act. Under subsection 49J(3), the principal auditor of the insurer must give the insurer a certificate relating to the yearly statutory accounts, and that certificate must contain statements of the auditor's opinions on the matters required by the prudential standards to be dealt with in the certificate.

7. If, having regard to the particular circumstances of an insurer, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by paragraph 6, APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular insurer.
8. The information required by this Reporting Standard in respect of an insurer must be provided to APRA:
  - (a) within the time stated in *Reporting Standard GRS 001 Reporting Requirements* (GRS 001); or
  - (b) in the case of information provided in accordance with paragraph 7, within the time specified by notice in writing.

*Note:* Paragraph 49L(1)(a) of the Insurance Act provides that the auditor's certificate required under subsection 49J(3) of that Act must be lodged with APRA in accordance with the prudential standards. The prudential standards provide that the certificate must be submitted to APRA together with the yearly statutory accounts. Accordingly, the auditor's certificate relating to the annual information referred to in paragraph 6 must be provided to APRA by the time specified in GRS 001 (unless an extension of time is granted under GRS 001).

## Quality control

9. The information provided by an insurer under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Appointed Auditor of the insurer. This will require the Appointed Auditor to review and test the insurer's systems, processes and controls designed to enable the insurer to report reliable financial information to APRA. This review and testing must be done on:

- (a) an annual basis or more frequently if necessary to enable the Appointed Auditor to form an opinion on the reliability and accuracy of data; and
  - (b) at least a limited assurance engagement consistent with professional standards and guidance notes issued by the Auditing and Assurance Standards Board (AUASB) as may be amended from time to time, to the extent that they are not inconsistent with the requirements of *Prudential Standard GPS 310 Audit and Related Matters*.
10. All information provided by an insurer under this Reporting Standard must be subject to systems, processes and controls developed by the insurer for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the insurer to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

### **Authorisation**

11. When an officer, or agent, of an insurer provides the information required by this Reporting Standard using the 'Direct to APRA' software it will be necessary for an officer, or agent, to digitally sign the relevant information using a digital certificate acceptable to APRA.
12. If an insurer provides the information required by this Reporting Standard through an agent who submits using the 'Direct to APRA' software on the insurer's behalf, the insurer must:
- (a) obtain from the agent a copy of the completed form with the information provided to APRA; and
  - (b) retain the completed copy.
13. An officer, or agent, of an insurer who submits the information under this Reporting Standard for, or on behalf of, the insurer must be authorised by either:
- (a) the Principal Executive Officer of the insurer; or
  - (b) the Chief Financial Officer of the insurer.

### **Variations**

14. APRA may, by written notice to the insurer, vary the reporting requirements of Form GRF 410.0 in relation to that insurer.

### **Interpretation**

15. In this Reporting Standard (including the attachments):
- (a) unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard GPS 001 Definitions* (GPS 001); and

- (b) **Appointed Auditor** means an auditor appointed under paragraph 39(1)(a) of the Insurance Act;

**APRA-authorised reinsurer** means an insurer carrying on reinsurance business. For the purposes of this definition, a Lloyd's underwriter as defined under the Insurance Act is an APRA-authorised reinsurer if it carries on reinsurance business;

**capital standards** means the prudential standards which relate to capital adequacy as defined in GPS 001;

**Chief Financial Officer** means the chief financial officer of the insurer, by whatever name called;

**financial year** means the financial year (within the meaning in the *Corporations Act 2001*) of the insurer;

**foreign insurer** means a foreign general insurer within the meaning of the Insurance Act;

*Note:* A reference to a 'branch' or 'branch operation' is a reference to the Australian operations of a foreign insurer.

**general instruction guide** refers to the general instruction guide set out in Attachment A of GRS 001;

**Insurance Act** means the *Insurance Act 1973*;

**insurer** means a general insurer within the meaning of section 11 of the Insurance Act;

*Note:* In the forms and instructions, a reference to an 'authorised insurer', 'authorised insurance entity' or 'licensed insurer' is a reference to an insurer, and a reference to an 'authorised reinsurance entity' is a reference to an insurer whose business consists only of undertaking liability by way of reinsurance.

**non-APRA-authorised reinsurer** means any reinsurer that is not an APRA-authorised reinsurer;

**Principal Executive Officer** means the principal executive officer of the insurer, by whatever name called, and whether or not he or she is a member of the governing board of the insurer; and

**reporting period** means a period mentioned in paragraph 6 or, if applicable, paragraph 7.

## GRF\_410\_0\_L: Movement In Outstanding Claims Liabilities (L)

**Australian Business Number**

Entity identifier, to be provided

**Institution Name**

Name of general insurer

**Reporting Period**

As at financial year end

**Scale Factor**

Thousands of dollars no decimal place

**Reporting Consolidation**

Licensed Insurer

**Section 1: Direct business**

Class of business (1)	Current accdt/UW year	Accdt/UW year - Previous 1-3 yrs			Accdt/UW year - Previous 4-5 yrs			Accdt/UW year - >5 yrs previous		
	OCL net of recoveries (undiscounted) (2)	OCL net of recoveries (undiscounted) (3)	Reserve release (4)	Reserve strengthening (5)	OCL net of recoveries (undiscounted) (6)	Reserve release (7)	Reserve strengthening (8)	OCL net of recoveries (undiscounted) (9)	Reserve release (10)	Reserve strengthening (11)
Householders										
Commercial motor										
Domestic motor										
Other direct - category A										
Travel										
Fire and ISR										
Marine										
Aviation										
Public & product liability										
Consumer credit										
Other accident										
Other direct - category B										
Mortgage										
CTP										
Professional indemnity										
Employers liability										
Other direct - category C										

**Section 2: Reinsurance**

Class of business (1)	Current accdt/UW year	Accdt/UW year - Previous 1-3 yrs			Accdt/UW year - Previous 4-5 yrs			Accdt/UW year - >5 yrs previous		
	OCL net of recoveries (undiscounted) (2)	OCL net of recoveries (undiscounted) (3)	Reserve release (4)	Reserve strengthening (5)	OCL net of recoveries (undiscounted) (6)	Reserve release (7)	Reserve strengthening (8)	OCL net of recoveries (undiscounted) (9)	Reserve release (10)	Reserve strengthening (11)
Proportional - Category A										
Proportional - Category B										
Proportional - Category A										
Non-proportional - Category A										
Non-proportional - Category B										
Non-proportional - Category C										

**Section 3: Total**

Total direct business.....										
Total reinsurance business.....										
Proportional.....										
Non-proportional.....										
Total.....										



## **GRF\_410\_0 Movement in Outstanding Claims Liabilities**

These instructions must be read in conjunction with the general instruction guide.

### **Explanatory notes**

#### **Direct business**

Section 1 is to be completed for the insurance business written directly by the reporting insurer and is to be reported in accordance with the direct classes of business in Attachment B of *Prudential Standard GPS 001 Definitions* (GPS 001).

#### **Reinsurance business**

Section 2 is to be completed for the reinsurance business written by the reporting insurer, reported in accordance with the reinsurance classes of business in Attachment B of GPS 001 and Attachment A of *Prudential Standard GPS 115 Capital Adequacy: Insurance Risk Charge* (GPS 115). The reinsurance classes of business are to be aggregated by the Category and Reinsurance Type in Table 2 of Attachment A of GPS 115 for reporting on this form.

#### **Accident year**

Direct writers of insurance business are to complete this form based on accident year. This refers to the financial year that the losses/claims associated with individual policies are incurred.

Lenders mortgage insurance business, while it is to be completed on an underwriting year basis, should be reported in Section 1 of this form with the direct classes of business.

Information for each of the following accident years is to be reported: current accident year; accident year 1-3 years previous; accident year 4-5 years previous; accident year greater than 5 years previous.

#### **Underwriting year**

Insurers writing reinsurance business are to complete this form based on underwriting year. This refers to the financial year of the insurer in which the policy incepts, regardless of when the premiums and claims are actually reported, booked or paid.

Information for each of the following underwriting years is to be reported: current underwriting year; underwriting year 1-3 years previous; underwriting year 4-5 years previous; underwriting year greater than 5 years previous.

## Instructions for specific items

### Class of business

Report the items in these sections by the direct or reinsurance classes of business in accordance with Attachment B of GPS 001.

For the purpose of calculating the Insurance Risk Charge on GRF 115.0 and GRF 115.1 in respect of the 'Other' class of business as per GPS 001 for direct business, the Appointed Actuary is required to determine the most appropriate category (i.e. category A, B or C) in Table 1 of Attachment A of GPS 115 that this business falls within. The choice must be based on the underlying risk characteristics of the business being written. This amounts reported in the *Other direct - category A*, *Other direct - category B* or *Other direct - category C* line items are to follow this basis.

### OCL net of recoveries (undiscounted)

This is the value, as at the relevant date, of the outstanding claims liabilities (OCL), net of any related recoveries, determined in accordance with *Australian Accounting Standard AASB 1023 General Insurance Contracts* (AASB 1023), but not discounted as required by AASB 1023.

For the purposes of this form the total of the OCL for the current financial year (on an undiscounted basis) is to be allocated across the respective time buckets specified on the form. Accordingly, each year that this form is completed the OCL that is recorded for the respective time buckets will likely change as this is reassessed.

For the 'Direct business' and 'Reinsurance business', amounts are to also include all OCL associated with business sourced through underwriting pools or joint ventures, or portfolio transfers/acquisitions.

### Reserve release

Reserve release refers the occasions when a provision was created / posted for a particular prior financial year and subsequently it is found that this provision will be more than is required to pay for the losses associated with this particular accident year for direct writers of insurance and underwriting year for reinsurance writers. In these instances the insurer releases these excess provisions and they become profits in the current financial year of the insurer. Claim payments (that are debited out of the OCL for accounting purposes) are not to be classified as a reserve release for the purposes of this form.

Enter reserve releases as a positive figure.

### Reserve strengthening

Reserve strengthening refers the occasions when a provision has been created / posted for a particular prior financial year and subsequently it is found that this provision will be insufficient to pay for the losses associated with this particular accident year for direct writers of insurance and underwriting year for reinsurance writers. In these instances the insurer strengthens or increases these provisions in the current financial

year by adding additional provisions to accommodate the losses associated with this particular prior accident / underwriting year and this becomes a reduction in profit (i.e. claims expense in profit and loss in the current financial year).

Enter reserve strengthening as a positive figure.

### **Section 3: Total**

For this section, lenders mortgage insurance business will be included in the totals for direct business.

#### **Total direct business**

Each item in this row is automatically calculated as the sum of each corresponding column in Section 1 across the classes of business.

#### **Total reinsurance business**

Each item in this row is automatically calculated as the sum of the Proportional and Non-proportional items in Section 3 for each corresponding column.

#### **Proportional**

Each item in this row is automatically calculated as the sum of each corresponding column in Section 2 across the proportional reinsurance classes of business.

#### **Non-proportional**

Each item in this row is automatically calculated as the sum of each corresponding column in Section 2 across the non-proportional reinsurance classes of business.

#### **Total**

Each item in this row is automatically calculated as the sum of the Total direct business and Total reinsurance business items in Section 3 for each corresponding column.