

**Financial Sector (Collection of Data) (reporting standard) determination No. 28,
29 and 30 of 2014**

EXPLANATORY STATEMENT

Prepared by the Australian Prudential Regulation Authority (APRA)

Financial Sector (Collection of Data) Act 2001, sections 13 and 15

Acts Interpretation Act 1901, section 33

Under subsection 13(1) of the *Financial Sector (Collection of Data) Act 2001* (the Act), APRA has the power to determine reporting standards, in writing, with which financial sector entities must comply. Such standards relate to reporting financial or accounting data and other information regarding the business or activities of the entities. Subsection 33(3) of the *Acts Interpretation Act 1901* provides that where an Act confers a power to issue an instrument the power shall, unless the contrary intention appears, be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to revoke any such instrument.

On 18 December 2014, APRA made the following determinations (the instruments):

- (1) Financial Sector (Collection of Data) (reporting standard) determination No. 28 of 2014 which:
 - (i) revokes *Reporting Standard GRS 440.0 Claims Development Table* made under Financial Sector (Collection of Data) (reporting standard) determination No. 25 of 2013; and
 - (ii) determines *Reporting Standard GRS 440.0 Claims Development Table (GRS 440.0)*;
- (2) Financial Sector (Collection of Data) (reporting standard) determination No. 29 of 2014 which:
 - (i) revokes *Reporting Standard GRS 112.0 Determination of Capital Base* made under Financial Sector (Collection of Data) (reporting standard) determination No. 3 of 2013; and
 - (ii) determines *Reporting Standard GRS 112.0 Determination of Capital Base (GRS 112.0)*;
- (3) Financial Sector (Collection of Data) (reporting standard) determination No. 30 of 2014 which:
 - (i) revokes *Reporting Standard GRS 116.1 Probable Maximum Loss for LMIs* made under Financial Sector (Collection of Data) (reporting standard) determination No. 13 of 2013; and
 - (ii) determines *Reporting Standard GRS 116.1 Probable Maximum Loss for LMIs (GRS 116.1)*;

The instruments commence on the date of their respective registration on the Federal Register of Legislative Instruments.

1. Background

GRS 440.0

Insurers that write reinsurance business are currently required to report, among other items, the ‘*Number of claims reported*’ and ‘*Number of claims outstanding*’ in the table at section 2 of Form *GRF 440.0 Claims Development Table (GRF 440.0)* (collectively referred to as ‘claim count data columns for reinsurance business’).

Industry feedback, and APRA’s review of this data, has identified inconsistent practice in the way insurers are reporting information provided in the claim count data columns for reinsurance business only. It is difficult to categorically define, and in some cases identify, what constitutes a ‘claim’ for some types of reinsurance business. Inconsistent reporting of this information limits its usefulness for APRA’s supervision. In addition, claim counts are not meaningful for many reinsurance arrangements.

To address this issue, APRA proposes to revoke reporting standard GRS 440.0, and replace it with a revised version of GRS 440.0 which does not include the claim count data columns for reinsurance business.

GRS 112.0 and GRS 116.1

APRA proposes to revise the following reporting standards, so that the reporting standard properly aligns with the intended application of the reporting requirements:

- GRS 112.0 (to clearly indicate that this reporting standard does not apply to Category C insurers, as defined in *Prudential Standard GPS 001 Definitions*); and
- GRS 116.1 (to clearly indicate that this reporting standard applies only to lenders mortgage insurers, as defined in *Prudential Standard GPS 001 Definitions*).

2. Purpose and operation of the instrument

The issues of inconsistent reporting and the limited usefulness of this reporting are discussed at Section 1 above. These issues arise from an APRA reporting requirement and cannot be resolved by market or other influences alone. Although these issues are modest in scale and impact, APRA is aware that industry is expending effort to report certain reinsurance data that is of limited benefit. It is relatively straightforward to amend this situation and therefore, APRA proposes to take action.

APRA’s objective is to reduce reporting burden on industry by removing data items that have proven to have limited supervisory benefit. This can be achieved by a minor amendment to GRF 440.0 to remove the requirement to report reinsurance claims count data, which will result in less work for insurers that write reinsurance business.

The objective in terms of GRS 112.0 and GRS 116.1 is to clarify the legal application of these reporting standards as discussed above.

3. Consultation

The instruments are minor or machinery in nature and do not substantially alter existing arrangements.

- The proposed changes in GRS 440.0 will produce modest regulatory cost savings since less work is required of insurers. Specifically, insurers will no longer be required to record, collect, analyse and report the claim count information for reinsurance business.
- The proposed change in GRS 112.0 and GRS 116.1 will not result in any additional regulatory costs or savings as the reporting standards are effectively being brought in line with actual practice. For example, currently only lenders mortgage insurers provide APRA with reporting in the Form *GRF 116.1 Probable Maximum Loss for LMIs*, despite the reporting standard GRS 116.1 indicating it applies to all general insurers since this was the intended application.

APRA consulted with industry for four weeks commencing 11 November 2014 on the proposals to revoke and replace the above reporting standards. Two submissions were received from industry and both submissions were of a positive nature agreeing with all of the suggested revisions to the reporting standards. As a result, APRA did not consider it necessary to release any public discussion or response papers.

4. Regulation Impact Statement

APRA does not expect the proposals to have any regulatory impacts. The proposals are minor or machinery in nature and relate only to a modest reduction in the reporting requirements currently imposed on industry.

The Office of Best Practice Regulation has advised that a Regulation Impact Statement is not required for these legislative instruments.

5. Statement of compatibility prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

The legislative instruments which are the subject of this explanatory statement, do not engage any of the applicable rights or freedoms recognised or declared in the international instruments listed in Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*. Accordingly, in APRA's assessment, these legislative instruments are compatible with human rights.

ATTACHMENT A

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

Financial Sector (Collection of Data) (reporting standard) determinations Nos. 28, 29 and 30 of 2014

The above legislative instruments are compatible with the human rights and freedoms recognised or declared in the international instrument listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* (HRPS Act).

Overview of the Legislative Instruments

The purpose of making these legislative instruments is to revoke existing reporting standards and remake reporting standards to make minor and machinery amendments to the reporting requirements in relation to general insurers.

Human rights implications

APRA has assessed the instruments against the international instruments listed in section 3 of the HRPS Act and determined that they do not engage any of the applicable rights or freedoms recognised or declared in the international instruments listed in section 3 of the HRPS Act. Accordingly, in APRA's assessment, the instruments are compatible with human rights.

Conclusion

Financial Sector (Collection of Data) (reporting standard) determinations Nos. 28, 29 and 30 of 2014 are compatible with human rights because the instruments do not limit human rights or otherwise raise any human rights issues.