



Financial Sector (Collection of Data) (reporting standard) determination No. 8 of 2016

Reporting Standard GRS 115.0_G Outstanding Claims Liabilities – Insurance Risk Charge (Level 2 Insurance Group)

Financial Sector (Collection of Data) Act 2001

I, Steven John Davies, delegate of APRA, under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001* (the Act) and subsection 33(3) of the *Acts Interpretation Act 1901*:

- (a) REVOKE Financial Sector (Collection of Data) (reporting standard) determination No. 33 of 2013, including *Reporting Standard GRS 115.0_G Outstanding Claims Liabilities – Insurance Risk Charge (Level 2 Insurance Group)* made under that Determination; and
- (b) DETERMINE *Reporting Standard GRS 115.0_G Outstanding Claims Liabilities – Insurance Risk Charge (Level 2 Insurance Group)*, 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, and the revoked reporting standard shall cease to apply, on 30 June 2016.

This instrument commences on 30 June 2016.

Dated: 19 July 2016

[Signed]
Steven John Davies
General Manager
Statistics

Interpretation

In this Determination:

APRA means the Australian Prudential Regulation Authority.

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

Schedule

Reporting Standard GRS 115.0_G Outstanding Claims Liabilities – Insurance Risk Charge (Level 2 Insurance Group) comprises the 20 pages commencing on the following page.



Reporting Standard GRS 115.0_G

Outstanding Claims Liabilities – Insurance Risk Charge (Level 2 Insurance Group)

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to the calculation of a Level 2 insurance group's insurance risk charge for outstanding claims liabilities.

It includes *Form GRF 115.0A_G Outstanding Claims Liabilities – Insurance Risk Charge – Australia by Class of Business (G)* and *Form GRF 115.0B_G Outstanding Claims Liabilities – Insurance Risk Charge – Australia by Region (G)* and associated specific instructions and must be read in conjunction with the general instruction guide, *Prudential Standard GPS 115 Capital Adequacy: Insurance Risk Charge* and *Prudential Standard GPS 320 Actuarial and Related Matters*

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 115.0A_G Outstanding Claims Liabilities – Insurance Risk Charge – Australia by Class of Business (G)* and *Form GRF 115.0B_G Outstanding Claims Liabilities – Insurance Risk Charge – Australia by Region (G)* (the GRF 115.0_G series) 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 a parent entity of a Level 2 insurance group as defined in *Prudential Standard GPS 001 Definitions* (GPS 001). This Reporting Standard applies for reporting periods ending on or after 30 June

2016. The parent entity of a Level 2 group is required to ensure that each requirement in this Reporting Standard is complied with.

Information required

4. The parent entity of a Level 2 insurance group must provide APRA with the information required by the GRF 115.0_G series in respect of the Level 2 insurance group 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, the parent entity of a Level 2 insurance group must provide the information required by this Reporting Standard:
 - (a) in respect of the first half year based on the financial year of the Level 2 insurance group on an unaudited basis; and
 - (b) in respect of each financial year of the Level 2 insurance group on an audited basis.

Note: The annual information required by paragraphs 4, 5 and 6(b), together with certain annual information required by other reporting standards, will form part of the Level 2 insurance group's annual accounts within the meaning of GPS 001. *Prudential Standard GPS 310 Audit and Related Matters* (GPS 310) contains the relevant provisions governing audits.

7. If, having regard to the particular circumstances of a Level 2 insurance group, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by subparagraph 6(a) or 6(b), APRA may, by notice in writing to the parent entity, change the reporting periods, or specify reporting periods, for the particular Level 2 insurance group.
8. The information required by this Reporting Standard in respect of a Level 2 insurance group 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: GPS 310 requires a Level 2 insurance group to ensure that its Group Auditor conducts a limited assurance review of the group's annual accounts. Accordingly, the Group Auditor's report(s) as required by GPS 310 (relating to the information required by paragraph 4) must be provided to APRA by the time specified in GRS 001 (unless an extension of time is granted under GRS 001).

9. On the written application of the parent entity of a Level 2 insurance group, APRA may by notice in writing to the parent entity exclude the requirement under subparagraph 6(a) to provide half yearly information.

Quality control

10. The information provided by the parent entity of a Level 2 insurance group under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Group Auditor of the Level 2 insurance group. This will require the Group Auditor to review and test the Level 2 insurance group's systems, processes and controls designed to enable the group 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 Group 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 GPS 310.
11. All information provided by the parent entity of a Level 2 insurance group under this Reporting Standard must be subject to systems, processes and controls developed by the Level 2 insurance group for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the parent entity of the Level 2 insurance group to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

Authorisation

12. When an officer, or agent, of a parent entity of a Level 2 insurance group 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.
13. If a parent entity of a Level 2 insurance group provides the information required by this Reporting Standard through an agent who submits using the 'Direct to APRA' software, on the parent entity of the Level 2 insurance group's behalf, the parent entity of the Level 2 insurance group must:
 - (a) obtain from the agent a copy of the completed form with the information provided to APRA; and
 - (b) retain the completed copy.

14. An officer, or agent, of a parent entity of a Level 2 insurance group who submits the information under this Reporting Standard for, or on behalf of, the parent entity of a Level 2 insurance group must be authorised by either:
- (a) the Principal Executive Officer of the parent entity of the Level 2 insurance group; or
 - (b) the Chief Financial Officer of the parent entity of the Level 2 insurance group.

Variations

15. APRA may, by written notice to the parent entity of a Level 2 insurance group, vary the reporting requirements of the GRF 115.0_G series in relation to that Level 2 insurance group.

Transition

16. A parent entity of a Level 2 insurance group must report under the old reporting standard in respect of a transitional reporting period. For these purposes:

old reporting standard means the reporting standard revoked in the determination making this Reporting Standard (being the reporting standard which this Reporting Standard replaces); and

transitional reporting period means a reporting period under the old reporting standard:

- (a) which ended before the date of revocation of the old reporting standard; and
- (b) in relation to which the parent entity of the Level 2 insurance group was required, under the old reporting standard, to report by a date on or after the date of revocation of the old reporting standard.

Note: For the avoidance of doubt, if a parent entity of a Level 2 insurance group was required to report under an old reporting standard, and the reporting documents were due before the date of revocation of the old reporting standard, the parent entity of a Level 2 insurance group is still required to provide any overdue reporting documents in accordance with the old reporting standard.

Interpretation

17. In this Reporting Standard (including the attachments):
- (a) unless the contrary intention appears, words and expressions have the meanings given to them in GPS 001; and
 - (b) *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 parent entity of the Level 2 insurance group, by whatever name called;

financial year means the financial year (within the meaning of the *Corporations Act 2001*) of the parent entity of the Level 2 insurance group;

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;

Group Auditor has the meaning given in GPS 310;

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 current principal executive officer of the entity, regardless of title, and whether or not he or she is a member of the governing board of the entity; and

reporting period means a period mentioned in subparagraph 6(a) or 6(b) or, if applicable, paragraph 7.

GRF_115_0A_G Outstanding Claims Liabilities - Insurance Risk Charge - Australia by Class of Business (G)

Australian Business Number

Institution Name

Reporting Period

Scale Factor

Reporting Consolidation

Were actuarial services used to complete this return (Yes / No).....

Section 1: Direct business (Australian business by class)

Class of business (1)	Gross OCL - Central estimate (2)	Gross OCL - risk margin (3)	Gross OCL - Total (4)	Non- reinsurance recoveries (5)	Reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Stand-alone risk margin (8)	Net OCL - Diversified risk margin (9)	Net OCL - Total (10)	OCL capital factor % (11)	OCL Insurance Risk Charge (12)
Householders											
Commercial motor											
Domestic motor											
Other direct - category A											
Travel											
Fire and ISR											
Marine											
Aviation											
Consumer credit											
Other accident											
Other direct - category B											
Mortgage											
CTP											
Public and product liability											
Professional indemnity											
Employers liability											
Other direct - category C											

Section 2: Direct business (International)

International region (1)	Gross OCL - Central estimate (2)	Gross OCL - risk margin (3)	Gross OCL - Total (4)	Non- reinsurance recoveries (5)	Reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Diversified risk margin (8)	Net OCL - Total (9)	OCL capital factor % (10)	OCL Insurance Risk Charge (11)
New Zealand										
South East Asia										
Asia Pacific										
USA										
Americas										
UK/Europe										
Other										

Section 3: Reinsurance business (Australian business by class)

Reinsurance type (1)	Gross OCL - Central estimate (2)	Gross OCL - risk margin (3)	Gross OCL - Total (4)	Non-reinsurance recoveries (5)	Reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Stand-alone risk margin (8)	Net OCL - Diversified risk margin (9)	Net OCL - Total (10)	OCL capital factor % (11)	OCL Insurance Risk Charge (12)
Proportional - Category A											
Proportional - Category B											
Proportional - Category C											
Non-proportional - Category A											
Non-proportional - Category B											
Non-proportional - Category C											

Section 4: Reinsurance business (International)

International region (1)	Gross OCL - Central estimate (2)	Gross OCL - risk margin (3)	Gross OCL - Total (4)	Non-reinsurance recoveries (5)	Reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Diversified risk margin (8)	Net OCL - Total (9)	OCL capital factor % (10)	OCL Insurance Risk Charge (11)
New Zealand										
South East Asia										
Asia Pacific										
USA										
Americas										
UK/Europe										
Other										

Section 5: Total

	Gross OCL - Central estimate (2)	Gross OCL - risk margin (3)	Gross OCL - Total (4)	Non-reinsurance recoveries (5)	Reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Stand-alone risk margin (8)	Net OCL - Diversified risk margin (9)	Net OCL - Total (10)	OCL capital factor % (11)	OCL Insurance Risk Charge (12)
Total direct Australian business.....											
Total direct International business.....											
Total reinsurance Australian business.....											
Proportional.....											
Non-proportional.....											
Total reinsurance International business.....											
Group adjustments.....											
Adjustments to OCL Insurance Risk Charge as approved by APRA.....											
Total.....											

Adjustments to OCL Insurance Risk Charge

Description (1)	Transitional? (2)	Amount (3)

OCL surplus / (deficit).....

GRF_115_0B_G Outstanding Claims Liabilities - Insurance Risk Charge - Australia by Region (G)

Australian Business Number

Institution Name

Reporting Period

Scale Factor

Reporting Consolidation

Were actuarial services used to complete this return (Yes / No).....

Section 1: Direct business (Australian)

Region (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Non- reinsurance recoveries (5)	Reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Net OCL - Total (9)	OCL capital factor % (10)	OCL Insurance Risk Charge (11)
Australia										

Section 2: Direct business (International)

International region (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Non- reinsurance recoveries (5)	Reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Net OCL - Total (9)	OCL capital factor % (10)	OCL Insurance Risk Charge (11)
New Zealand										
South East Asia										
Asia Pacific										
USA										
Americas										
UK/Europe										
Other										

Section 3: Reinsurance business (Australian)

Region (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Non- reinsurance recoveries (5)	Reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Net OCL - Total (9)	OCL capital factor % (10)	OCL Insurance Risk Charge (11)
Australia										

Section 4: Reinsurance business (International)

International region (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Non- reinsurance recoveries (5)	Reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Net OCL - Total (9)	OCL capital factor % (10)	OCL Insurance Risk Charge (11)
New Zealand										
South East Asia										
Asia Pacific										
USA										
Americas										
UK/Europe										
Other										

Section 5: Total

	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Non- reinsurance recoveries (5)	Reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Net OCL - Total (9)	OCL capital factor % (10)	OCL Insurance Risk Charge (11)
Total direct Australian business.....										
Total direct International business.....										
Total reinsurance Australian business.....										
Total reinsurance International business.....										
Group adjustments.....										
Adjustments to OCL Insurance Risk Charge as approved by APRA.....										
Total.....										

Adjustments to OCL Insurance Risk

Description (1)	Transitional? (2)	Amount (3)

OCL surplus / (deficit).....

GRF_115_0A_G: Outstanding Claims Liabilities - Insurance Risk Charge - Australia by Class of Business (G)

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

Explanatory notes

Reporting entity

This form is to be completed by the parent entity of a Level 2 insurance group as defined in Prudential Standard *GPS 001 Definitions* (GPS 001) where the Level 2 insurance group does not have a reporting adjustment to report on an ‘Australia by region’ rather than ‘Australia by class of business’ basis. If the Level 2 insurance group has a reporting adjustment, it must complete *GRF 115.0B_G Outstanding Claims Liabilities – Insurance Risk Charge – Australia by Region*.

Consolidation at Level 2 should cover the Level 2 insurance group as defined under GPS 001.

Australian and international business

Level 2 insurance groups are required to report financial data on both Australian business and International Business (as defined in GPS 001). Diversification will be the primary adjustment made on group basis that affects the insurance risk charge and should be recognised in the risk margins for each class of business. The totals at the end of the form, i.e. Section 5, may take into account other group adjustments.

Direct business

Section 1 is to be completed for the Australian insurance business written directly by the Level 2 insurance group and is to be reported in accordance with the direct classes of business in Attachment B of GPS 001.

Section 2 is to be completed by summing the classes of business for each international region.

Reinsurance business

Section 3 is to be completed for the reinsurance business written by the reporting insurer and is to be reported in accordance with the reinsurance classes of business in Attachment B of GPS 001 and Attachment A of GPS 115. The 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.

Section 4 is to be completed by summing the classes of business for each international region.

Where a Level 2 insurance group underwrites an inwards reinsurance contract which spans multiple classes and the Level 2 insurance group cannot readily split the contract between classes, the contract must be allocated by using an appropriate method (provided the same method is used for all contracts and for all subsequent periods), including the methods set out in *Prudential Standard GPS 115 Capital Adequacy: Insurance Risk Charge* (GPS 115).

Class of business

Report the items in the Australian business 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 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.

For reinsurance business, the classes of business in Table 2 of Attachment A of GPS 115 are to be aggregated by the Category and Reinsurance Type for reporting on this form.

International region

For International regions, class of business data is not reported in this form. Level 2 insurance groups, however, will be required to map their international business to the Australian classes of business as defined in GPS 001 in order to assign an insurance risk capital charge and provide a reporting supplement to APRA. Diversification adjustments on international business should be recognised in the risk margin for each geographical region.

Instructions for specific items

Were actuarial services used to complete this return (Yes/No)

If actuarial services were used to complete this form input 'Yes', otherwise input 'No'.

Sections 1, 2, 3, 4 and 5

(2) Gross OCL - Central estimate

This is the value, as at the relevant date, of the central estimate component of outstanding claims liabilities (OCL), gross of any recoveries, determined in accordance with *Prudential Standard GPS 320 Actuarial and Related Matters* (GPS 320).

The central estimate will be measured as the present value of the future expected payments, i.e. discounted for future investment income, determined in accordance

with GPS 320. The central estimate is intended to reflect the mean value in the range of possible values for the outcome (that is, the mean of the distribution of probabilistic outcomes), and so does not include any risk margin.

(3) Gross OCL - Risk margin

This is the value, as at the relevant date, of the diversified risk margin component of OCL, gross of any recoveries, determined in accordance with GPS 320. The diversified risk margin refers to the risk margin that has been applied to the class of business after allowance for diversification across the whole insurance portfolio.

The risk margin is the component of the value of OCL that relates to the inherent uncertainty that outcomes will differ from the central estimate. When added to the central estimate, it is intended to increase the likelihood that the OCL will be sufficient to the level required in GPS 320.

(4) Gross OCL - Total

This is the total of the central estimate and diversified risk margin for OCL, gross of any recoveries.

It is automatically calculated as: Column 2 plus Column 3.

(5) Non-reinsurance recoveries

This is the value, of recoveries under arrangements other than reinsurance arrangements, receivable by the Level 2 insurance group associated with the OCL, net of any provisions for depreciation or impairment. It is determined in accordance with GPS 320. Recoveries to be included at this item include salvage, subrogation, and input tax credit recoveries, amongst others.

(6) Reinsurance recoveries

Reinsurance recoveries has the same meaning as 'Reinsurance recoverables' in GPS 001. For each class of business and region report the reinsurance recoveries associated with the OCL calculated in accordance with GPS 320. The value reported must be net of any provisions for doubtful debts.

Level 2 insurance groups should recognise reinsurance recoveries, which are calculated in accordance with GPS 320, but which are due from reinsurance arrangements that do not fully meet the reinsurance documentation tests specified in *Prudential Standard GPS 230 Reinsurance Management*.

Reinsurance recoveries would normally be estimated on the basis of each class of business written by the Level 2 insurance groups. However, there are certain forms of reinsurance where recoveries depend on the combined claims experience of several or all classes of business underwritten by the Level 2 insurance group. In such instances, the estimation will be required to factor in all the individual results by class of business covered by the reinsurance arrangement.

(7) Net OCL – Central estimate

This is the value, as at the relevant date, of the central estimate component of OCL, net of any reinsurance and non-reinsurance recoveries, determined in accordance with GPS 320.

(8) Net OCL - Stand-alone risk margin

This is the value, as at the relevant date, of the stand-alone risk margin component of OCL, net of any reinsurance and non-reinsurance recoveries, determined in accordance with GPS 320. The stand-alone risk margin refers to the risk margin that would be applied to a class of business where no allowance for diversification with other classes of business has been allowed.

(9) Net OCL - Diversified risk margin

This is the value, as at the relevant date, of the diversified risk margin component of OCL, net of any reinsurance and non-reinsurance recoveries, determined in accordance with GPS 320. The diversified risk margin refers to the risk margin that has been applied to the class of business after allowance for diversification across the whole insurance portfolio.

(10) Net OCL - Total

This is the total of the central estimate and diversified risk margin for OCL, net of any reinsurance and non-reinsurance recoveries.

It is automatically calculated as Column 7 plus Column 9 in sections 1 and 3 and Column 7 plus Column 8 in Sections 2 and 4.

(11) OCL capital factor %

Sections 1 and 3 (Australian business by class): This is the outstanding claims risk capital factor applicable to each class of business as per Attachment A of GPS 115.

Sections 2 and 4 (International business by class): As part of the supplementary information provided to APRA, Level 2 insurance groups are required to have mapped their international business to the Australian classes of business as defined in GPS 001. For international business, this column requires Level 2 insurance groups to report a weighted average capital factor which applies to the total of all the classes for each region.

(12) OCL Insurance Risk Charge

This is the Insurance Risk Charge in respect of outstanding claims risk, which relates to the risk that the value of the net OCL is greater than the value determined in accordance with GPS 320.

It is automatically calculated as Column 10 multiplied by Column 11 in sections 1 and 3 and Column 9 multiplied by Column 10 in sections 2 and 4.

Section 5

Total direct Australian business

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

Total direct International business

Each item in this row is automatically calculated as the sum of each corresponding column in Section 2.

Total reinsurance Australian business

Each item in this row is automatically calculated as the sum of each corresponding column in Section 3.

Proportional

Each item in this row is automatically calculated as the sum of each corresponding column across the proportional classes of business in Section 3.

Non-proportional

Each item in this row is automatically calculated as the sum of each corresponding column across the non-proportional classes in Section 3.

Total reinsurance International business

Each item in this row is automatically calculated as the sum of each corresponding column in Section 4.

Group adjustments

Adjustments not recognised in Sections 1 to 4 are to be reported in this section of the form. Group adjustments are to be reported as negative values.

Adjustments to OCL Insurance Risk Charge as approved by APRA

If APRA is of the view that the Standard Method for calculating the OCL Insurance Risk Charge component of the prescribed capital amount does not produce an appropriate outcome in respect of a Level 2 insurance group, or a Level 2 insurance group has used inappropriate judgement or estimation in calculating the OCL Insurance Risk Charge, APRA may adjust the OCL Insurance Risk Charge calculation for that Level 2 insurance group.

Approved adjustments are to be reported separately in the associated table highlighting the description of the adjustment given, transitional status and amount of adjustment applied. An increase in the risk charge is to be reported as a positive amount.

This is calculated automatically as the sum of Column 3 in the table that follows.

OCL surplus / (deficit)

Include in this item the value of OCL that are recognised in *GRF 300.0_G Statement of Financial Position* (GRF 300.0_G), that are in excess of the OCL valuation required by GPS 320 as reported in this form (positive value); or those that are in deficit to the OCL valuation required by GPS 320 (negative value).

This is calculated on a net basis as per the following:

Calculate the total net OCL as reported in GRF 300.0_G as:

- Item 16 (GRF 300.0_G) *Outstanding claims liabilities*;
- Less: sum of reinsurance recoveries and non-reinsurance recoveries:
 - Item 2.4.1 (GRF 300.0_G) *Net amount recoverable from reinsurance contracts on outstanding claims and paid claims: On outstanding claims*; plus
 - Item 2.2.1 (GRF 300.0_G) *Total net recoveries other than reinsurance receivable: On outstanding claims*;
- Less: *Net OCL - Total* for all classes of business (including group adjustments) in this form.

This value will be included in Item 1.1.6.1 of *GRF 112.0_G Determination of Capital Base*.

GRF_115_0B_G Outstanding Claims Liabilities - Insurance Risk Charge - Australia by Region (G)

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

Explanatory notes

Reporting by region

A Level 2 insurance group may apply to APRA for a reporting adjustment to report Australian business as a single region. If the reporting adjustment is not in place, the Level 2 insurance group must not complete this form, and instead complete *GRF 115.0A_G Outstanding Claims Liabilities – Insurance Risk Charge – Australia by Class of Business*.

This form requires the outstanding claims liabilities (OCL) of an Australian business of the Level 2 insurance group to be reported as a single region and the international business to be reported by region.

For both Australian and International business, while class of business is not required to be reported on this form, Level 2 insurance groups are expected to map their business to the classes of business as defined in *Prudential Standard GPS 001 Definitions* (GPS 001) in order to assign an insurance risk capital charge. The details of the mapping and the calculation of the insurance risk charge for businesses are to be provided as a reporting supplement to APRA.

Basis of reporting

OCL are to be valued in accordance with the requirements of *Prudential Standard GPS 320 Actuarial and Related Matters* (GPS 320). Where there is reinsurance between regions, regions are to be reported on a separate basis. That is, the region directly assuming the risks must report as direct business. The reinsuring region should treat this as direct business as well.

Where reinsurance occurs between entities in one region, the reinsurance transaction is to be eliminated on consolidation within the region reported. Consolidation adjustments for intra-group reinsurance transactions between entities in different regions should be reported under 'Group adjustments' in Section 5.

Direct business (Australian)

The Level 2 insurance group should report the total of all direct Australian business.

Direct business (International)

The Level 2 insurance group should report the sum of the classes of business for each international region.

Reinsurance business (Australian)

The level 2 insurance group should report the total of all reinsurance Australian business.

Reinsurance business (International)

The level 2 insurance group should report the sum of the classes of business for each international region.

Instructions for specific items

Were actuarial services used to complete this return (Yes/No)

If actuarial services were used to complete this form input 'Yes', otherwise input 'No'.

Sections 1, 2, 3, and 4

(13) Gross OCL - Central estimate

For each region, report the central estimate of the gross OCL that is calculated in accordance with GPS 320.

The central estimate will be measured as the present value of the future expected payments, i.e. discounted for future investment income, determined in accordance with GPS 320. The central estimate is intended to reflect the mean value in the range of possible values for the outcome (that is, the mean of the distribution of probabilistic outcomes), and so does not include any risk margin.

(14) Gross OCL - Risk margin

For each region, report the risk margin for the gross OCL that is calculated in accordance with GPS 320.

The risk margin is the component of the value of OCL that relates to the inherent uncertainty that outcomes will differ from the central estimate. When added to the central estimate, it is intended to increase the likelihood that the OCL will be sufficient to the level required in GPS 320.

(15) Gross OCL - Total

This is automatically calculated as the sum of Columns 2 and 3.

(16) Non-reinsurance recoveries

Non-reinsurance recoveries are amounts that may be recovered under arrangements other than reinsurance arrangements, such as salvage, subrogation and sharing agreements.

For each region report the non-reinsurance recoveries associated with the OCL.

(17) Reinsurance recoveries

Reinsurance recoveries has the same meaning as 'Reinsurance recoverables' in GPS 001. For each region report the reinsurance recoveries associated with the OCL calculated in accordance with GPS 320. The value reported must be net of any provisions for doubtful debts.

Level 2 insurance groups should recognise reinsurance recoveries, which are calculated in accordance with GPS 320, but which are due from reinsurance arrangements that do not fully meet the reinsurance documentation tests specified in *Prudential Standard GPS 230 Reinsurance Management*.

Reinsurance recoveries would normally be estimated on the basis of each class of business written by the Level 2 insurance groups. However, there are certain forms of reinsurance where recoveries depend on the combined claims experience of several or all classes of business underwritten by the Level 2 insurance group. In such instances, the estimation will be required to factor in all the individual results by class of business covered by the reinsurance arrangement.

(18) Net OCL - Central estimate

For each region report the central estimate, net of reinsurance and non-reinsurance recoveries, associated with the OCL that is calculated in accordance with GPS 320.

(19) Net OCL - Risk margin

For each region, report the risk margin, net of reinsurance and non-reinsurance recoveries, associated with the OCL that is calculated in accordance with GPS 320.

(20) Net OCL - Total

This is automatically calculated as the sum of Columns 7 and 8.

(21) OCL capital factor %

As part of the supplementary information provided to APRA, Level 2 insurance groups are required to have mapped their Australian and international business to the Australian classes of business as defined in GPS 001 in order to assign an insurance risk capital charge. For Australian and international business, this column requires Level 2 insurance groups to report a weighted average capital factor which applies to the total of all the classes for each region.

(22) OCL Insurance Risk Charge

This column represents the insurance risk capital charge applicable to each region. For Australian and international business the insurance risk capital charge is calculated based on the weighted average capital factor reported for each region under Column 10.

This is automatically calculated by the form as Column 9 multiplied by Column 10.

Section 5

Total direct Australian business

This is automatically calculated by the form and represents the total from Section 1.

Total direct International business

This is automatically calculated by the form and represents the total from Section 2.

Total reinsurance Australian business

This is automatically calculated by the form and represents the total from Section 3.

Total reinsurance International business

This is automatically calculated by the form and represents the total from Section 4.

Group adjustments

Adjustments not recognised in Sections 1 to 4 are to be reported in this section of the form. Group adjustments are to be reported as negative values.

Adjustments to OCL Insurance Risk Charge as approved by APRA

If APRA is of the view that the Standard Method for calculating the OCL Insurance Risk Charge component of the prescribed capital amount does not produce an appropriate outcome in respect of a Level 2 insurance group, or a Level 2 insurance group has used inappropriate judgement or estimation in calculating the OCL Insurance Risk Charge, APRA may adjust the OCL Insurance Risk Charge calculation for that Level 2 insurance group.

Approved adjustments are to be reported separately in the associated table highlighting the description of the adjustment given, transitional status and amount of adjustment applied. An increase in the risk charge is to be reported as a positive amount.

This is calculated automatically as the sum of Column 3 in the table that follows.

Total

Each item in this row is automatically calculated as the sum of each corresponding column in Sections 1 to 4 and Group Adjustments.

OCL surplus / (deficit)

Include in this item the value of OCL that are recognised in *GRF 300.0_G Statement of Financial Position* (GRF 300.0_G), that are in excess of the OCL valuation required by GPS 320 as per Column 9 of this form (positive value); or those that are in deficit to the OCL valuation required by GPS 320 (negative value).

This is calculated on a net basis as per the following:

Calculate the total net OCL as reported in GRF 300.0_G as:

- Item 16 (GRF 300.0_G) *Outstanding claims liabilities*;
- Less: sum of reinsurance recoveries and non-reinsurance recoveries:
 - Item 2.4.1 (GRF 300.0_G) *Net amount recoverable from reinsurance contracts on outstanding claims and paid claims: On outstanding claims*; plus
 - Item 2.2.1 (GRF 300.0_G) *Total net recoveries other than reinsurance receivable: On outstanding claims*;
- Less: *Net OCL - Total* for all classes of business (including group adjustments) in this form.

This value will be included in Item 1.1.6.1 in *GRF 112.0_G Determination of Capital Base*.