



Financial Sector (Collection of Data) (reporting standard) determination No. 9 of 2016

Reporting Standard GRS 115.1_G Premiums 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. 34 of 2013, including *Reporting Standard GRS 115.1_G Premiums Liabilities – Insurance Risk Charge (Level 2 Insurance Group)* made under that Determination; and
- (b) DETERMINE *Reporting Standard GRS 115.1_G Premiums 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 115.1_G Premiums Liabilities – Insurance Risk Charge (Level 2 Insurance Group) comprises the 33 pages commencing on the following page.



Reporting Standard GRS 115.1_G

Premiums 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 premiums liabilities.

It includes *Form GRF 115.1A_G Premiums liabilities – Insurance Risk Charge – Australia by Class of Business (G)* and *Form GRF 115.1B_G Premiums 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 115.1A_G Premiums liabilities – Insurance Risk Charge – Australia by Class of Business (G)* and *Form GRF 115.1B_G Premiums liabilities – Insurance Risk Charge – Australia by Region (G)* (the GRF 115.1_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 115.1_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 115.1_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_1A_G Premiums Liabilities - Insurance Risk Charge - Australia by Class of Business (G)

Australian Business Number	Entity identifier, to be provided
Institution Name	Name of Level 2 insurance group
Reporting Period	As at end of each half-year and as at financial year end
Scale Factor	Thousands of dollars no decimal place
Reporting Consolidation	Level 2 insurance group

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

Basis of preparation

PART A: PREMIUMS LIABILITIES - GPS 320 BASIS

Section 1: Direct business (Australian business by class)

Class of business (1)	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Non-reinsurance recoveries (5)	Expected reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Stand-alone risk margin (8)	Net PL - Diversified risk margin (9)	Net PL- Total (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)
Householders										13.5%	
Commercial motor										13.5%	
Domestic motor										13.5%	
Other direct - category A										13.5%	
Travel										16.5%	
Fire and ISR										16.5%	
Marine										16.5%	
Aviation										16.5%	
Consumer credit										16.5%	
Other accident										16.5%	
Other direct - category B										16.5%	
Mortgage										21.0%	
CTP										21.0%	
Public and product liability										21.0%	
Professional indemnity										21.0%	
Employers liability										21.0%	
Other direct - category C										21.0%	

Section 2: Direct business (International)

International region (1)	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Non-reinsurance recoveries (5)	Expected reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Diversified risk margin (8)	Net PL- Total (9)	PL capital factor % (10)	PL Insurance Risk Charge (11)	PL surplus / (deficit) (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK or Europe											

Other											
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Section 3: Reinsurance business (Australian business by class)

Reinsurance type (1)	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Non-reinsurance recoveries (5)	Expected reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Stand-alone risk margin (8)	Net PL - Diversified risk margin (9)	Net PL- Total (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)
Proportional - Category A										15.0%	
Proportional - Category B										18.0%	
Proportional - Category C										22.5%	
Non-proportional - Category A										18.0%	
Non-proportional - Category B										21.0%	
Non-proportional - Category C										25.5%	

Section 4: Reinsurance business (International)

International region (1)	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Non-reinsurance recoveries (5)	Expected reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Diversified risk margin (8)	Net PL- Total (9)	PL capital factor % (10)	PL Insurance Risk Charge (11)	PL surplus / (deficit) (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK or Europe											
Other											

Section 5: Total

	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Non-reinsurance recoveries (5)	Expected reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Stand-alone risk margin (8)	Net PL - Diversified risk margin (9)	Net PL- Total (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)	PL surplus / (deficit) (13)
Total direct Australian business.....												
Total direct International business.....												
Total reinsurance Australian business.....												
Proportional.....												
Non-proportional.....												
Total reinsurance International business												
Total premiums liabilities - GPS 320 basis.....												

PART B: PREMIUMS LIABILITIES - AASB BASIS
Section 6: Direct business (Australian business by class)

Class of business (1)	Unearned premium liability (2)	Deferred acquisition costs (3)	AASB gross premiums liabilities (UPL - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premiums liabilities (8)	Technical provision deficiency (9)	Adjusted net premiums liabilities (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)
Householders										13.5%	
Commercial motor										13.5%	
Domestic motor										13.5%	
Other direct - category A										13.5%	
Travel										16.5%	
Fire and ISR										16.5%	
Marine										16.5%	
Aviation										16.5%	
Consumer credit										16.5%	
Other accident										16.5%	
Other direct - category B										16.5%	
Mortgage										21.0%	

CTP										21.0%	
Public and product liability										21.0%	
Professional indemnity										21.0%	
Employers liability										21.0%	
Other direct - category C										21.0%	

Section 7: Direct business (International)

International region (1)	Unearned premium liability (2)	Deferred acquisition costs (3)	AASB gross premiums liabilities (UPL - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premiums liabilities (8)	Technical provision deficiency (9)	Adjusted net premiums liabilities (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK or Europe											
Other											

Section 8: Reinsurance business - (Australian business by class)

Reinsurance type (1)	Unearned premium liability (2)	Deferred acquisition costs (3)	AASB gross premiums liabilities (UPL - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premiums liabilities (8)	Technical provision deficiency (9)	Adjusted net premiums liabilities (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)
Proportional - Category A										15.0%	
Proportional - Category B										18.0%	
Proportional - Category C										22.5%	
Non-proportional - Category A										18.0%	
Non-proportional - Category B										21.0%	
Non-proportional - Category C										25.5%	

Section 9: Reinsurance business (International)

International region (1)	Unearned premium liability (2)	Deferred acquisition costs (3)	AASB gross premiums liabilities (UPL - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premiums liabilities (8)	Technical provision deficiency (9)	Adjusted net premiums liabilities (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK or Europe											
Other											

Section 10: Total

	Unearned premium liability (2)	Deferred acquisition costs (3)	AASB gross premiums liabilities (UPL - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premiums liabilities (8)	Technical provision deficiency (9)	Adjusted net premiums liabilities (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)
Total direct Australian business.....											
Total direct International business.....											
Total reinsurance Australian business.....											
Proportional.....											
Non-proportional.....											
Total reinsurance International business.....											
Total premiums liabilities - AASB basis.....											

PART C: ADDITIONAL POLICIES RISK CHARGE

Section 11: Direct business (Australian business by class) - Net written premium for material business that incepts in the next reporting period

Class of business (1)	Net written premium (2)	PL capital factor % (3)	Additional policies risk charge (4)
Householders		13.5%	
Commercial motor		13.5%	
Domestic motor		13.5%	
Other direct - category A		13.5%	
Travel		16.5%	
Fire and ISR		16.5%	
Marine		16.5%	
Aviation		16.5%	
Consumer credit		16.5%	
Other accident		16.5%	
Other direct - category B		16.5%	
Mortgage		21.0%	
CTP		21.0%	
Public and product liability		21.0%	
Professional indemnity		21.0%	
Employers liability		21.0%	
Other direct - category C		21.0%	
Total			

Section 12: Direct business (International) - Net written premium for material business that incepts in the next reporting period

International region (1)	Net written premium (2)	PL capital factor % (3)	Additional policies risk charge (4)
New Zealand			
South East Asia			
Asia Pacific			
USA			
Americas			
UK or Europe			
Other			
Total			

Section 13: Reinsurance business (Australian business by class) - Net written premium for material business that incepts in the next reporting period

Reinsurance type (1)	Net written premium (2)	PL capital factor % (3)	Additional policies risk charge (4)
Proportional - Category A		15.0%	
Proportional - Category B		18.0%	
Proportional - Category C		22.5%	
Non-proportional - Category A		18.0%	
Non-proportional - Category B		21.0%	
Non-proportional - Category C		25.5%	
Total			

Section 14: Reinsurance business (International) - Net written premium for material business that incepts in the next reporting period

International region (1)	Net written premium (2)	PL capital factor % (3)	Additional policies risk charge (4)
New Zealand			
South East Asia			
Asia Pacific			
USA			
Americas			
UK or Europe			
Other			
Total			

PART D: TOTAL PREMIUMS LIABILITIES

Section 15: Total

	Gross premiums liabilities (2)	Net premiums liabilities (3)	Adjusted net premiums liabilities (4)	Group PL Insurance Risk Charge (5)	Additional policies risk charge (6)	Total premiums liabilities risk charge (7)
Australian direct business.....						
Australian reinsurance business.....						
Proportional.....						
Non-proportional.....						
International direct business.....						
International reinsurance business.....						
Group adjustments.....						
Adjustments to PL Insurance Risk Charge as approved by APRA.....						
Total						

Adjustments to PL Insurance Risk Charge

Description (1)	Transitional? (2)	Amount (3)
	Y/N	

PL surplus / (deficit)

Group adjustments to PL surplus / (deficit).....	
Total deferred reinsurance expense for future business not yet written.....	
Total PL surplus / (deficit).....	

GRF_115_1B_G Premiums liabilities - Insurance Risk Charge - Australia by

Australian Business Number	<input type="text"/>
Institution Name	<input type="text"/>
Reporting Period	<input type="text"/>
Scale Factor	<input type="text" value="Thousands of dollars no decimal place"/>
Reporting Consolidation	<input type="text" value="Level 2 insurance group"/>

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

Basis of preparation
<input type="text"/>

PART A: PREMIUMS LIABILITIES - GPS 320 BASIS

Section 1: Direct business (Australian)

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

Section 2: Direct business (International)

International region (1)	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Non-reinsurance recoveries (5)	Expected reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Risk margin (8)	Net PL - Total (9)	PL capital factor % (10)	PL Insurance Risk Charge (11)	PL surplus / (deficit) (12)
OI11452											
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK/Europe											
Other											

Section 3: Reinsurance business (Australian)

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

Section 4: Reinsurance business (International)

International region (1)	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Non-reinsurance recoveries (5)	Expected reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Risk margin (8)	Net PL - Total (9)	PL capital factor % (10)	PL Insurance Risk Charge (11)	PL surplus / (deficit) (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK/Europe											
Other											

Section 5: Total

	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Non-reinsurance recoveries (5)	Expected reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Risk margin (8)	Net PL - Total (9)	PL capital factor % (10)	PL Insurance Risk Charge (11)	PL surplus / (deficit) (12)
Total direct Australian business.....											
Total direct International business.....											
Total reinsurance Australian business.....											
Total reinsurance International business.....											
Total premiums liabilities - GPS 320 basis.....											

PART B: PREMIUMS LIABILITIES - AASB BASIS
Section 6: Direct business (Australian)

Region (1)	Unearned premium liability (2)	Deferred acquisition costs (3)	AASB gross premiums liabilities (UPL - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premiums liabilities (8)	Technical provision deficiency (9)	Adjusted net premiums liabilities (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)
Australia											

Section 7: Direct business (International)

International region (1)	Unearned premium liability (2)	Deferred acquisition costs (3)	AASB gross premiums liabilities (UPL - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premiums liabilities (8)	Technical provision deficiency (9)	Adjusted net premiums liabilities (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK/Europe											
Other											

Section 8: Reinsurance business (Australian)

Region (1)	Unearned premium liability (2)	Deferred acquisition costs (3)	AASB gross premiums liabilities (UPL - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premiums liabilities (8)	Technical provision deficiency (9)	Adjusted net premiums liabilities (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)
Australia											

Section 9: Reinsurance business (International)

International region (1)	Unearned premium liability (2)	Deferred acquisition costs (3)	AASB gross premiums liabilities (UPL - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premiums liabilities (8)	Technical provision deficiency (9)	Adjusted net premiums liabilities (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK/Europe											
Other											

Section 10: Total

	Unearned premium liability (2)	Deferred acquisition costs (3)	AASB gross premiums liabilities (UPL - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premiums liabilities (8)	Technical provision deficiency (9)	Adjusted net premiums liabilities (10)	PL capital factor % (11)	PL Insurance Risk Charge (12)
Total direct Australian business.....											
Total direct International business.....											

Total reinsurance Australian business.....											
Total reinsurance International business.....											
Total premiums liabilities - AASB basis.....											

PART C: ADDITIONAL POLICIES RISK CHARGE

Section 11: Direct business (Australian) - Net written premium for material business that incepts in the next reporting

Region (1)	Net written premium (2)	PL capital factor % (3)	Additional policies risk charge (4)
Australia			
Total			

Section 12: Direct business (International) - Net written premium for material business that incepts in the next reporting

International region (1)	Net written premium (2)	PL capital factor % (3)	Additional policies risk charge (4)
OI11456			
New Zealand			
South East Asia			
Asia Pacific			
USA			
Americas			
UK/Europe			
Other			
Total			

Section 13: Reinsurance business (Australian) - Net written premium for material business that incepts in the next

Region (1)	Net written premium (2)	PL capital factor % (3)	Additional policies risk charge (4)
Australia			
Total			

Section 14: Reinsurance business (International) - Net written premium for material business that incepts in the next

International region (1)	Net written premium (2)	PL capital factor % (3)	Additional policies risk charge (4)
New Zealand			
South East Asia			
Asia Pacific			
USA			
Americas			
UK/Europe			
Other			
Total			

PART D: TOTAL PREMIUMS LIABILITIES

Section 15: Total

	Gross premiums liabilities (2)	Net premiums liabilities (3)	Adjusted net premiums liabilities (4)	Group PL Insurance Risk Charge (5)	Additional policies risk charge (6)	Total premiums liabilities risk charge (7)
Australian direct business.....						
Australian reinsurance business.....						
International direct business.....						
International reinsurance business.....						
Group adjustments.....						
Adjustments to PL Insurance Risk Charge as approved by APRA.....						
Total						

Adjustments to PL Insurance Risk Charge

Description (1)	Transitional? (2)	Amount (3)
	Y/N	

PL surplus / (deficit)

Group adjustments to PL surplus / (deficit).....	
Total deferred reinsurance expense for future business not yet written.....	
Total PL surplus / (deficit).....	

GRF_115_1A_G: Premiums 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 115.1B_G Premiums 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 15, may take into account other group adjustments.

Direct business

Sections 1, 6 and 11 are 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.

Reinsurance business

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).

Sections 3, 8 and 13 are to be completed for the reinsurance business written by the reporting insurer and are 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.

Sections 4, 9 and 14 are to be completed by summing the classes of business for each international region.

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'.

Basis of preparation

Select, from the drop down list, the basis by which premiums liabilities (PL) are reported in this form. The options provided are: GPS 320 basis; AASB Basis; or Combination of GPS 320 and AASB basis.

Sections 1, 2, 3, 4 and 5

(2) Gross PL - Central estimate

This is the value, as at the relevant date, of the central estimate component of premiums liabilities (PL), 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 PL - Risk margin

This is the value, as at the relevant date, of the diversified risk margin component of PL, 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.

(4) Gross PL - Total

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

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

(5) 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 PL, estimated in a manner consistent with the methodology used in the most recent Insurance Liability Valuation Report prepared by the Group Actuary as defined in GPS 320.

The estimates of non-reinsurance recoveries expected to be received must be based on the nature of the expected claims and the history of non-reinsurance recoveries compared to claims.

(6) Expected reinsurance recoveries

Expected reinsurance recoveries means any amounts due to an insurer from a reinsurer that arise from the recognition of PL referred to in GPS 320. This is distinguished from reinsurance recoverables and forms part of reinsurance assets.

(7) Net PL – Central estimate

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

(8) Net PL - Stand-alone risk margin

This is the value, as at the relevant date, of the stand-alone risk margin component of PL, net of any expected 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 PL - Diversified risk margin

This is the value, as at the relevant date, of the diversified risk margin component of PL, net of any expected 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 PL - Total

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

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

(11) PL capital factor %

Sections 1 and 3 (Australian business by class): This is the premiums liability 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 in order to assign an insurance risk capital charge. 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) PL Insurance Risk Charge

This column represents the insurance risk capital charge applicable to PL.

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..

(13) PL surplus / (deficit)

Include in this item the value of PL that are calculated in accordance with *Australian Accounting Standard AASB 1023 General Insurance Contracts* (AASB 1023) that are in excess of (positive value) or deficit to (negative value) the PL valued in accordance with GPS 320 in Part A.

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

For Australian business, the PL surplus / (deficit) is calculated using the following items reported under 'Australian business' in *GRF 302.0_G Statement of Financial Position by Region*, and any other items which form the total of AASB 1023 net PL as outlined below:

- Item 17 Unearned premium liability;
- Less: Item 8 Deferred reinsurance expense;
- Less: Item 9 Deferred acquisition costs;
- Plus: Item 18 Unexpired risk liability;
- Less the net value of any other items which form the total of AASB 1023 net PL. This is as defined for Column 7 of Part B.
- Less: Net PL - Total in Column 11 of Part A.

This is to be reported for direct and reinsurance business in Section 5.

For International business, the PL surplus / (deficit) must be determined separately for each geographical region using the approach described above. For each region, the value of PL surplus / (deficit) is to be reported in: Section 2 for direct business; and Section 4 for reinsurance business.

Section 6, 7, 8, 9 and 10

Under GPS 320, Level 2 insurance groups may value PL for International business on an AASB basis using accounting entries. These are to be reported in Part B. A Level 2 insurance group may apply to APRA, under GPS 320, for a determination to enable PL on Australian business to be reported using accounting entries.

Where APRA has made such a determination, these are to be reported in part B of this form.

Note: Diversification adjustments must not be included when reporting the value of PL in Part B. However, Level 2 insurance groups may allow for diversification adjustments when determining the threshold levels for any liability adequacy tests applied in Part B.

(2) Unearned premium liability

This is the unearned premium liability determined in accordance with the recognition requirements of AASB 1023. AASB 1023 requires that premium revenue is recognised in accordance with the expected pattern of risk and any unearned portion must be deferred and recognised on the balance sheet.

(3) Deferred acquisition costs

This is the amount of deferred acquisition costs (DAC), determined in accordance with the recognition requirements of AASB 1023, which existed prior to any liability adequacy test (LAT) write-downs.

(4) AASB gross premiums liabilities (UPL - DAC)

This item is automatically calculated as Column 2 less Column 3.

(5) Deferred reinsurance expense

This is the value of premiums ceded to reinsurers which are deferred in accordance with the pattern of reinsurance service received as per AASB 1023.

(6) Unexpired risk liability

Report the value of any unexpired risk liability as a result of the application of the liability adequacy test (LAT) required under AASB 1023. This LAT may be different from the LAT required in accordance with GPS 320. Where the test applied under AASB 1023 is identical to that required under GPS 320, there will be no recognition of a deduction of excess technical provisions as set out below.

(7) Other

Include in this column the net value of any other items which form the total of AASB 1023 net premiums liabilities. This would include:

- Deferred reinsurance exchange commission (to be entered as a positive value);
- Unearned commission revenue (to be entered as a positive value); and
- Deferred levies and charges (to be entered as a negative value).

It is automatically calculated as Column 8 less Column 4 plus Column 5 less Column 6.

(8) AASB net premiums liabilities

This is the value of PL, net of expected reinsurance and non-reinsurance recoveries as calculated in accordance with AASB 1023.

(9) Technical provision deficiency

Report any deficiency recognised in premium liability valuations due to the application of the LAT specified in GPS 320. The LAT must be applied to net PL (unearned premium liability less deferred acquisition costs less deferred reinsurance expense plus unexpired risk liability) at a 75 per cent level of sufficiency. This treatment is different to the requirements of AASB 1023. Where a Level 2 insurance group reports PL on Australian business using accounting entries, the LAT must be applied at the class of business level. For international business, the LAT must be applied to each geographic region.

For the purposes of Part B, diversification adjustments may be taken into account when determining the threshold amount for the LAT.

APRA specifies the probability of sufficiency and the portfolios to which this is applied. This prescription does not apply under AASB 1023. If the Level 2 insurance group chooses to apply a LAT for the purposes of AASB 1023 that meets these specifications then the LAT required for prudential reporting purposes will also be satisfied.

Any deficiency in PL is to be reported as a positive value. Where PL exceed the threshold amount determined under the LAT, the value reported under this item will be zero. Consequently, Level 2 insurance groups will not be able to include in their capital base the value of PL (determined using accounting entries) that exceed the threshold amount calculated in the LAT.

(10) Adjusted net premiums liabilities

This is automatically calculated as Column 8 plus Column 9.

(11) PL capital factor %

Sections 6 and 8 (Australian business by class): This is the PL risk capital factor applicable to each class of business as per Attachment A of GPS 115.

Sections 7 and 9 (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 in order to assign an insurance risk capital charge. 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) PL Insurance Risk Charge

This is automatically calculated as Column 10 multiplied by Column 11.

Sections 11, 12, 13 and 14

With respect to direct business and reinsurance business where policies incept in the following reporting period and where these policies would have a material impact on capital adequacy, net written premium for exposure that has not been included in the calculation of the PL is to be subject to the PL risk charge. The materiality of the business that incepts in the next reporting period should be determined in accordance with the Australian Accounting and Auditing Standards subject to APRA's discretion.

The risk charge must reflect the full premium revenue for inwards proportional reinsurance for the full term of the current reinsurance contract. To the extent that the risk charge is based on reported premium for inwards proportional reinsurance that does not reflect the full term of the current insurance contract, an adjustment must be made to the risk charge. The adjustment is determined by applying the PL risk charge factor to any inwards proportional reinsurance premium revenue not recognised.

For Sections 11 and 13, Australian business is to be reported by class in:

- Section 11: Direct business; and
- Sections 13: Reinsurance business.

For Sections 12 and 14, class of business data is not reported. Level 2 insurance groups, however, will be required to map their international business to the Australian classes. This requirement is based on the principle that an insurer should be able to meet its insurance obligations at all times, not just at the reporting dates. With regards

to written contracts for which insurers are not on risk in the current reporting period, APRA has not defined how far into the subsequent reporting period the capital requirement applies. APRA expects that at the reporting date, insurers will hold sufficient capital for all general insurance contracts for which the general insurer is committed, regardless of when the contract incepts.

For the avoidance of doubt, the reinsurance revenue for inwards reinsurance business should be recognised for the full term of current reinsurance contracts, usually 12 months from the inception of the contract, and not any shorter period. For reinsurance contracts that are continuous but cancellable at regular intervals or on specified dates, the term of the contract can be measured to the earliest cancellation date that is not less than 12 months from the previous cancellable date.

(13) Net written premium

Report in this column the net written premium by class of business for the following:

- Material business that incepts in the next reporting period. Materiality should be as applied in Australian Accounting and Auditing Standards subject to APRA's discretion.
- Any revenue from inwards proportional reinsurance contracts where the treaty extends beyond the end of the current reporting period but revenue has not yet been recognised in GRF 310.0G.

Note that Level 2 insurance groups are not required to report premium revenue that has been included in the calculation of the PL.

(14) PL Capital factor %

Australian business by class: This is the PL risk capital factor applicable to each class of business as per Attachment A of GPS 115.

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 in order to assign an insurance risk capital charge. 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.

(15) Additional policies risk charge

This is automatically calculated as Column 2 multiplied by Column 3.

Section 15

(16) Gross premiums liabilities

This corresponds to Column 4 in Section 5.

(17) Net premiums liabilities

This corresponds to Column 10 in Section 5.

(18) Adjusted net premiums liabilities

This corresponds to Column 10 in Section 10.

(19) Group PL Insurance Risk Charge

This is automatically calculated as the sum of Column 12 in Section 5 and Column 12 in Section 10.

(20) Additional policies risk charge

This is automatically calculated as the sum of the Total amounts for Column 4 in Sections 11, 12, 13 and 14.

(21) Total premiums liabilities risk charge

This is automatically calculated as the sum of Columns 5 and 6 in Section 15.

Group adjustments

Adjustments not recognised in Sections 1 to 10 are to be reported under group adjustments. Group adjustments that result in a reduction in PL are to be reported as negative values.

Adjustments to PL Insurance Risk Charge as approved by APRA

If APRA is of the view that the Standard Method for calculating the PL 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 PL Insurance Risk Charge, APRA may adjust the PL 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.

PL surplus / (deficit)

Group adjustments to PL surplus / (deficit)

Adjustments to excess technical provisions on PL not already recognised in Sections 1 to 10 are to be reported under this item.

Any adjustment that results in a reduction to excess technical provisions is to be reported as a negative value. APRA may request details of any group adjustment that is made to excess technical provisions.

Total deferred reinsurance expense for future business not yet written

Total deferred reinsurance expense for future business not yet written represents the component of reinsurance paid or payable which is available for future business written up to the end of the reinsurance contract. Any amount cannot be included in this item where the underlying reinsurance arrangements do not comply with the reinsurance documentation or the governing law requirements set out in *Prudential Standard GPS 230 Reinsurance Management*. This amount must not be negative.

Total PL surplus / (deficit)

This item is automatically calculated as:

- Column 13 Total premiums liabilities – GPS 320 basis: PL surplus / (deficit) in Section 5;
- Less: Column 9 Total premiums liabilities – AASB basis: Technical provision deficiency in Section 10;
- Plus: Group adjustments to PL surplus / (deficit) in Section 15;
- Plus: Total deferred reinsurance expense for future business not yet written in Section 15.

This value will be included in Item 1.1.6.2 in *GRF 112.0_G Determination of Capital Base*.

GRF_115_1B_G: Premiums 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 115.1A_G Premiums Liabilities – Insurance Risk Charge – Australia by Class of Business*.

This form requires the premiums liabilities (PL) 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 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.

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

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*.

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'.

Basis of preparation

Select, from the drop down list, the basis by which PL are reported in this form. The options provided are: GPS 320 basis; AASB Basis; or Combination of GPS 320 and AASB basis.

Sections 1, 2, 3, 4 and 5

(2) Gross PL - Central estimate

This is the value, as at the relevant date, of the central estimate component of PL, 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 PL - Risk margin

This is the value, as at the relevant date, of the risk margin for the gross PL determined in accordance with GPS 320.

The risk margin is the component of the value of PL 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 PL will be sufficient to the level required in GPS 320.

(4) Gross PL - Total

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

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

(5) 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 PL, estimated in a manner consistent with the methodology used in the most recent Insurance Liability Valuation Report prepared by the Group Actuary as defined in GPS 320.

The estimates of non-reinsurance recoveries expected to be received must be based on the nature of the expected claims and the history of non-reinsurance recoveries compared to claims.

(6) Expected reinsurance recoveries

Expected reinsurance recoveries means any amounts due to an insurer from a reinsurer that arise from the recognition of PL referred to in GPS 320. This is distinguished from reinsurance recoverables and forms part of reinsurance assets.

(7) Net PL - Central estimate

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

(8) Net PL - Risk margin

This is the value, as at the relevant date, of the risk margin component of PL, net of any expected reinsurance and non-reinsurance recoveries, determined in accordance with GPS 320.

(9) Net PL - Total

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

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

(10) PL 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 both Australian and international businesses, 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.

(11) PL Insurance Risk Charge

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

Sections 2, 4 and 5

(12) PL surplus / (deficit)

Include in this item the value of PL that are calculated in accordance with *Australian Accounting Standard AASB 1023 General Insurance Contracts* (AASB 1023) that are in excess of (positive value) or deficit to (negative value) the PL valued in accordance with GPS 320 in Part A.

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

For Australian business, the PL surplus / (deficit) is calculated using the following items reported under 'Australian business' in *GRF 302.0_G Statement of Financial Position by Region*, and any other items which form the total of AASB 1023 net PL as outlined below:

- Item 17 Unearned premium liability;
- Less: Item 8 Deferred reinsurance expense;
- Less: Item 9 Deferred acquisition costs;
- Plus: Item 18 Unexpired risk liability;
- Less the net value of any other items which form the total of AASB 1023 net PL. This is as defined for Column 7 of Part B.
- Less: Net PL - Total in Column 11 of Part A.

This is to be reported for direct and reinsurance business in Section 5.

For International business, the PL surplus / (deficit) must be determined separately for each geographical region using the approach described above. For each region, the value of PL surplus / (deficit) is to be reported in: Section 2 for direct business; and Section 4 for reinsurance business.

Sections 6, 7, 8, 9 and 10

(2) Unearned premium liability

This is the unearned premium liability determined in accordance with the recognition requirements of AASB 1023. AASB 1023 requires that premium revenue is recognised in accordance with the expected pattern of risk and any unearned portion must be deferred and recognised on the balance sheet.

(3) Deferred acquisition costs

This is the amount of deferred acquisition costs (DAC), determined in accordance with the recognition requirements of AASB 1023, which existed prior to any liability adequacy test (LAT) write-downs.

(4) AASB gross premiums liabilities (UPL - DAC)

This is automatically calculated as Column 2 less Column 3.

(5) Deferred reinsurance expense

This is the value of premiums ceded to reinsurers which are deferred in accordance with the pattern of reinsurance service received as per AASB 1023.

(6) Unexpired risk liability

Report the value of any unexpired risk liability as a result of the application of the liability adequacy test (LAT) required under AASB 1023. This LAT may be different from the LAT required in accordance with GPS 320. Where the test applied under AASB 1023 is identical to that required under GPS 320, there will be no recognition of a deduction of excess technical provisions as set out below.

(7) Other

Include in this column the net value of any other items which form the total of AASB 1023 net PL. This would include:

- Deferred reinsurance exchange commission (to be entered as a positive value);
- Unearned commission revenue (to be entered as a positive value); and
- Deferred levies and charges (to be entered as a negative value).

It is automatically calculated as Column 8 less Column 4 plus Column 5 less Column 6.

(8) AASB net premiums liabilities

This is the value of PL, net of expected reinsurance and non-reinsurance recoveries as calculated in accordance with AASB 1023.

(9) Technical provision deficiency

Report any deficiency recognised in premium liability valuations due to the application of the LAT specified in GPS 320. The LAT must be applied to net PL (unearned premium less deferred acquisition costs less deferred reinsurance expense plus unexpired risk liability) at a 75 per cent level of sufficiency. This treatment is different to the requirements of AASB 1023. Where a Level 2 insurance group reports PL on Australian business using accounting entries, the LAT must be applied at the class of business level. For international business, the LAT must be applied to each geographic region.

For the purposes of Part B, diversification adjustments may be taken into account when determining the threshold amount for the LAT.

APRA specifies the probability of sufficiency and the portfolios to which this is applied. This prescription does not apply under AASB 1023. If the Level 2 insurance

group chooses to apply a LAT for the purposes of AASB 1023 that meets these specifications then the LAT required for prudential reporting purposes will also be satisfied.

Any deficiency in premiums liabilities is to be reported as a positive value. Where premiums liabilities exceed the threshold amount determined under the LAT, the value reported under this item will be zero. Consequently, Level 2 insurance groups will not be able to include in their capital base the value of PL (determined using accounting entries) that exceed the threshold amount calculated in the LAT.

(10) Adjusted net premiums liabilities

This is automatically calculated as Column 8 plus Column 9.

(11) PL 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.

(12) PL Insurance Risk Charge

This is automatically calculated as Column 10 multiplied by Column 11.

Sections 11, 12, 13 and 14

With respect to direct business and reinsurance business where policies incept in the following reporting period and where these policies would have a material impact on capital adequacy, net written premium for exposure that has not been included in the calculation of the PL is to be subject to the PL risk charge. The materiality of the business that incepts in the next reporting period should be determined in accordance with the Australian Accounting and Auditing Standards subject to APRA's discretion.

The risk charge must reflect the full premium revenue for inwards proportional reinsurance for the full term of the current reinsurance contract. To the extent that the risk charge is based on reported premium for inwards proportional reinsurance that does not reflect the full term of the current insurance contract, an adjustment must be made to the risk charge. The adjustment is determined by applying the PL risk charge factor to any inwards proportional reinsurance premium revenue not recognised.

Level 2 insurance groups are required to map their Australian and international business to the Australian classes of business. This requirement is based on the principle that an insurer should be able to meet its insurance obligations at all times, not just at the reporting dates. With regards to written contracts for which insurers are not on risk in the current reporting period, APRA has not defined how far into the subsequent reporting period the capital requirement applies. APRA expects that at the reporting date, insurers will hold sufficient capital for all general insurance contracts for which the general insurer is committed, regardless of when the contract incepts.

For the avoidance of doubt, the reinsurance revenue for inwards reinsurance business should be recognised for the full term of current reinsurance contracts, usually 12 months from the inception of the contract, and not any shorter period. For reinsurance contracts that are continuous but cancellable at regular intervals or on specified dates, the term of the contract can be measured to the earliest cancellation date that is not less than 12 months from the previous cancellable date.

(2) Net written premium

Report in this column the net written premium by class of business for the following:

- Material business that incepts in the next reporting period. Materiality should be as applied in Australian Accounting and Auditing Standards subject to APRA's discretion.
- Any revenue from inwards proportional reinsurance contracts where the treaty extends beyond the end of the current reporting period but revenue has not yet been recognised in *GRF 310.0_G Income Statement*.

Note that Level 2 insurance groups are not required to report premium revenue that has been included in the calculation of the PL.

(3) PL 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.

(4) Additional policies risk charge

This is automatically calculated as Column 2 multiplied by Column 3.

Section 15

(2) Gross premiums liabilities

This corresponds to Column 4 in Section 5.

(3) Net premiums liabilities

This corresponds to Column 9 in Section 5.

(4) Adjusted net premiums liabilities

This corresponds to Column 10 in Section 10.

(5) Group PL Insurance Risk Charge

This is automatically calculated as the sum of Column 11 in Section 5 and Column 12 in Section 10.

(6) Additional policies risk charge

This is automatically calculated as the sum of the Total amounts for Column 4 in Sections 11 to 14.

(7) Total premiums liabilities risk charge

This is automatically calculated as the sum of Columns 5 and 6 in Section 15.

Group adjustments

Adjustments not recognised in Sections 1 to 10 are to be reported under group adjustments. Group adjustments (that result in a reduction in PL) are to be reported as negative values.

Adjustments to PL Insurance Risk Charge as approved by APRA

If APRA is of the view that the Standard Method for calculating the PL 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 PL Insurance Risk Charge, APRA may adjust the PL 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.

Group adjustments to PL surplus / (deficit)

Adjustments to excess technical provisions on PL not already recognised in Sections 1 to 10 are to be reported under this item.

Any adjustment that results in a reduction to excess technical provisions is to be reported as a negative value. APRA may request details of any group adjustment that is made to excess technical provisions.

Total deferred reinsurance expense for future business not yet written

Total deferred reinsurance expense for future business not yet written represents the component of reinsurance paid or payable which is available for future business written up to the end of the reinsurance contract. Any amount cannot be included in this item where the underlying reinsurance arrangements do not comply with the

reinsurance documentation or the governing law requirements set out in *Prudential Standard GPS 230 Reinsurance Management*. This amount must not be negative.

Total PL surplus / (deficit)

This item is automatically calculated as:

- Column 12 Total premiums liabilities – GPS 320 basis: PL surplus / (deficit) in Section 5;
- Less: Column 9 Total premiums liabilities – AASB basis: Technical provision deficiency in Section 10;
- Plus: Group adjustments to PL surplus / (deficit) in Section 15;
- Plus: Total deferred reinsurance expense for future business not yet written in Section 15.

This value will be included in Item 1.1.6.2 in *GRF 112.0_G Determination of Capital Base*.