



Financial Sector (Collection of Data) (reporting standard) determination No. 31 of 2023

Reporting Standard LRS 200.0 Capital Adequacy Supplementary Information

Financial Sector (Collection of Data) Act 2001

I, Michael Murphy, 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. 52 of 2013, including *Reporting Standard LRS 200.0 Capital Adequacy Supplementary Information* made under that Determination; and
- (b) DETERMINE *Reporting Standard LRS 200.0 Capital Adequacy Supplementary Information*, in the form set out in the Schedule, which applies to the financial sector entities to the extent provided in paragraph 3 of the reporting standard.

Under section 15 of the Act, I DECLARE that the reporting standard shall begin to apply to those financial sector entities on 1 April 2023, and the revoked reporting standard shall cease to apply, on 1 April 2023.

This instrument commences on 1 April 2023.

Dated: 16 March 2023

Michael Murphy
General Manager – Chief Data Officer (Acting),
Technology and Data Division

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 LRS 200.0 Capital Adequacy Supplementary Information comprises the document commencing on the following page.



Reporting Standard LRS 200.0

Capital Adequacy Supplementary Information

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA in relation to the supplementary information used to calculate a life company's capital adequacy.

It includes *Form LRF 200.0 Capital Adequacy Supplementary Information* and associated specific instructions and must be read in conjunction with the general instruction guide.

Authority

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

Purpose

2. Information collected in *Form LRF 200.0 Capital Adequacy Supplementary Information* (LRF 200.0) is used by APRA for the purpose of prudential supervision including assessing compliance with capital standards.

Application and commencement

3. This Reporting Standard applies to all life insurance companies including friendly societies (together referred to as 'life companies') registered under the *Life Insurance Act 1995* (Life Insurance Act). This Reporting Standard applies for reporting periods ending on or after 1 April 2023.

Information required

4. A life company must provide APRA with the information required by Form LRF 200.0 for each reporting period.
5. The information reported to APRA under this Reporting Standard is not required to be given to policy owners pursuant to section 124 of the Life Insurance Act. It does not constitute a reporting document for the purposes of section 124.

Method of submission

6. The information required by this Reporting Standard must be given to APRA:
 - (a) in electronic format using an electronic method available on APRA's website; or
 - (b) by a method notified by APRA prior to submission.

Reporting periods and due dates

7. Subject to paragraph 8, a life company must provide the information required by this Reporting Standard:
 - (a) in respect of each quarter based on the financial year of the life company on an unaudited basis; and
 - (b) in respect of each financial year of the life company on an audited basis.

Note 1: This means that this form will be submitted five times for a full financial year.

Note 2: The annual audited form must be submitted in conjunction with the annual auditor's report, as required under *Prudential Standard LPS 310 Audit and Related Matters* (LPS 310).

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

Quality control

10. The information provided by a life company under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Auditor of the life company. This will require the Auditor to review and test the life company's systems, processes and controls supporting the reporting of the information to enable the life company to provide 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 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 LPS 310.

11. All information provided by a life company under this Reporting Standard must be subject to systems, processes and controls developed by the life company for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the life company to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.
12. Actuarial valuations and calculations included in or used in the preparation of the information provided to APRA must be in accordance with the prudential standards in force for the reporting period. However, life companies may use reasonable estimates when preparing information that will not be audited (i.e. for the first four submissions of information for a full financial year).

Authorisation

13. When an officer of a life company provides the information required by this Reporting Standard, it will be necessary for the officer to digitally sign the relevant information using a digital certificate acceptable to APRA.
14. An officer of a life company submitting information under this Reporting Standard must be authorised by either:
 - (a) the Principal Executive Officer of the life company; or
 - (b) the Chief Financial Officer of the life company.

Variations

15. APRA may, by written notice to the life company, vary the reporting requirements of the Form LRF 200.0 in relation to that life company.

Interpretation

16. In this Reporting Standard (including the attachments):
 - (a) unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard LPS 001 Definitions* (LPS 001); and
 - (b) **capital standards** means the prudential standards which relate to capital adequacy as defined in LPS 001;

Chief Financial Officer means the chief financial officer of the life company, by whatever name called;

financial year has the meaning in the *Corporations Act 2001*;

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

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

reporting period means a reporting period under subparagraph 7(a) or 7(b) or, if applicable, paragraph 8.

LRF_200_0: Capital Adequacy Supplementary Information

Australian Business Number	Institution Name
	Life insurers
Reporting Period	Scale Factor
Quarterly / Annual	Thousands
Reporting Consolidation	
Statutory fund	

Section 1: Capital base - Liability adjustments

1. Past premium liabilities

Product group	Pre-insurance stress					Total past premium liabilities
	Annuity and investment liability value (1)	CICP Reserve (2)	RBNA Reserve (3)	IBNR Reserve (4)	Unearned premium reserve (5)	

Product group	Post-insurance stress					Stressed past premium liabilities
	Annuity and investment liability value (7)	CICP Reserve (8)	RBNA Reserve (9)	IBNR Reserve (10)	Unearned premium reserve (11)	

2. Future premium liabilities

Pre-insurance stress												
As at reporting date (Discounted to reporting date)							As at 12 months after reporting date (Discounted to reporting date)					
Product group	Risk-free present value of future claims (1)	Risk-free present value of future expenses (2)	Risk-free present value of future premiums (3)	Risk-free present value of other liability components (4)	Total future premium liabilities (5)	Risk-free present value of tax expenses (6)	Risk-free present value of net profit (7)	Risk-free present value of future claims (8)	Risk-free present value of future expenses (9)	Risk-free present value of future premiums (10)	Risk-free present value of other liability components (11)	Total future premium liabilities (12)

Post-insurance stress										
As at reporting date (Discounted to reporting date)					As at 12 months after reporting date (Discounted to reporting date)					
Product group	Risk-free present value of future claims (13)	Risk-free present value of future expenses (14)	Risk-free present value of future premiums (15)	Risk-free present value of other liability components (16)	Stressed future premium liabilities (17)	Risk-free present value of future claims (18)	Risk-free present value of future expenses (19)	Risk-free present value of future premiums (20)	Risk-free present value of other liability components (21)	Stressed future premium liabilities (22)

3. Components of adjusted policy liabilities

Product group	Total past premium liabilities (1)	Premium refund in excess of UPR (2)	Other components of termination value (3)	Total termination value (4)	Total future premium liabilities (5)	Risk-free best estimate of liabilities (6)

Section 2: Insurance risk charge

1. Impact of stress margins - participating benefits business

Valuation date

Product group	Pre-diversification							Total stress by product group Post-diversification (8)
	Mortality		Morbidity		Event (5)	Longevity (6)	Total stress by product group (7)	
	Random (1)	Future (2)	Random (3)	Future (4)				

2. Impact of stress margins - non-participating benefits business

Valuation date

Product group	Pre-diversification							Total stress by product group Post-diversification (8)
	Mortality		Morbidity		Event (5)	Longevity (6)	Total stress by product group (7)	
	Random (1)	Future (2)	Random (3)	Future (4)				

3. Total impact of stress margins

	Pre-diversification							Total stress by product group Post-diversification (8)
	Mortality		Morbidity		Event (5)	Longevity (6)	Total stress by product group (7)	
	Random (1)	Future (2)	Random (3)	Future (4)				
Total participating benefits business								
Total non-participating benefits business								
Total								

3.1. Insurance stress diversification factor

Section 3: Variable annuities

1. Variable annuity capital charge calculation

- 1.1. Capital requirement (excluding hedging)
- 1.2. Capital requirement (including hedging)
- 1.3. Diversification factor between asset and insurance risks
- 1.4. Effectiveness factor
- 1.5. Aggregate risk charge for variable annuities**

LRF_200_0 Capital Adequacy Supplementary Information

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

Explanatory notes

This form does not apply to friendly societies.

APRA product group

The APRA product groups that apply for the purpose of this form are:

- L1. Conventional Participating;
- L2. Participating Investment Account;
- L3. Annuity with Longevity Risk;
- L4. Individual Lump Sum Risk;
- L5. Individual Disability Income Insurance;
- L6. Group Lump Sum Risk;
- L7. Group Disability Income Insurance;
- L8. Investment Linked;
- L9. Non-participating Investment Policy with Discretionary Additions;
- L10. Other Non-participating Investment Policy;
- L11. Annuity without Longevity Risk; and
- L12. Other.

Section 1: Capital base - Liability adjustments

The section must be completed if reporting form *LRF 115.0 Insurance Risk Charge* (LRF 115.0) has been completed for the reporting period.

Section 2: Insurance risk charge

The valuation date is the date at which the data in the tables is effective.

This section must be completed for each reporting period. However the inputs do not need to be updated if the Insurance Risk Charge is zero or if there has been no material change to the diversification factor since the previous quarter.

Section 3: Variable annuities

This section must be completed both annually and at the end of each reporting quarter for statutory funds with policy liabilities in respect of variable annuities.

Instructions for specific items

Section 1: Capital base - Liability adjustments

This section does not apply to APRA product groups L1, L2 and L9.

1. Past premium liabilities

1(1) and 1(7). Annuity and investment liability value

In respect of L3 and L11 product groups, these items report the total liability value in respect of future annuity payments and expenses arising from the premiums received prior to the reporting date.

In respect of L8 and L10 product groups, these items report the total liability value in respect of amounts owing to policy owners arising from deposit premiums received prior to the reporting date.

These items should be present-valued to as at the reporting date using the risk-free discount rate (plus illiquidity premium, if applicable) as per *Prudential Standard LPS 112 Capital Adequacy: Measurement of Capital* (LPS 112). Column (1) should be reported prior to the application of the insurance stress margins and column (7) should be reported post the application of the insurance stress margins.

1(2) and 1(8). CICP Reserve

These columns report the total expected claim payments and expenses in respect of claims in course of payment, that are associated with past premiums received prior to the reporting date.

These columns should be present-valued to as at the reporting date using the risk-free discount rate as per LPS 112. Column (2) should be reported prior to the application of the insurance stress margins and column (8) should be reported post the application of the insurance stress margins.

1(3) and 1(9). RBNA Reserve

These columns report the total expected claim payments and expenses in respect of claims reported but not assessed, that are associated with past premiums received prior to the reporting date.

These columns should be present-valued to as at the reporting date using the risk-free discount rate as per LPS 112. Column (3) should be reported prior to the application of the insurance stress margins and column (9) should be reported post the application of the insurance stress margins.

1(4) and 1(10). IBNR Reserve

These columns report the total expected claim payments and expenses in respect of claims incurred but not reported, that are associated with past premiums received prior to the reporting date.

These columns should be present-valued to as at the reporting date using the risk-free discount rate as per LPS 112. Column (4) should be reported prior to the application of the insurance stress margins and column (10) should be reported post the application of the insurance stress margins.

1(5) and 1(11). Unearned premium reserve

These columns report the total expected future claim payments and expenses associated with unexpired proportion of past premiums received prior to the reporting date.

These columns should be present-valued to as at the reporting date using the risk-free discount rate as per LPS 112. Column (5) should be reported prior to the application of the insurance stress margins and column (11) should be reported post the application of the insurance stress margins.

1(6). Total past premium liabilities

This column reports the present value of total expected claims and expenses, arising from all premiums that have been received prior to the reporting date, before the effect of the insurance risk stresses.

This column is calculated automatically as the sum of column (1) to column (5).

1(12). Stressed past premium liabilities

This column reports the present value of total expected claims and expenses, arising from all premiums that have been received prior to the reporting date, post the effect of the insurance risk stresses.

This column is calculated automatically as the sum of column (7) to column (11).

2. Future premium liabilities

2(1) and 2(8). Risk-free present value of future claims

These columns report the present value of all future expected claim payments arising from premiums expected to be received after the reporting date.

These columns should be present-valued using the risk-free discount rate as per LPS 112, prior to the application of the insurance stress margins. Column (1) should report the value of future expected claims as at the reporting date, discounted to the reporting date. Column (8) should report the value of future expected claims as at 12 months following the reporting date, but discounted to the reporting date.

2(2) and 2(9). Risk-free present value of future expenses

These columns report the present value of all future expected expenses arising from premiums expected to be received after the reporting date.

These columns should be present-valued using the risk-free discount rate as per LPS 112, prior to the application of the insurance stress margins. Column (2) should report the value of future expected expenses as at the reporting date, discounted to the reporting date. Column (9) should report the value of future expected expenses as at 12 months following the reporting date, but discounted to the reporting date.

2(3) and 2(10). Risk-free present value of future premiums

These columns report the present value of all future premiums expected to be received after the reporting date from policies remaining in force.

These columns should be present-valued using the risk-free discount rate as per LPS 112, prior to the application of the insurance stress margins and management actions. Column (3) should report the value of future expected premiums as at the reporting date, discounted to the reporting date. Column (10) should report the value of future expected premiums as at 12 months following the reporting date, but discounted to the reporting date.

2(4) and 2(11). Risk-free present value of other liability components

These columns report the value of other specific components of the future premium liability that do not fall under the categories of claims, expenses and premiums.

These columns are calculated automatically as a balancing item. Column (4) is calculated as column (5) less column (1) less column (2) plus column (3). Column (11) is calculated as column (12) less column (8) less column (9) plus column (10).

2(5) and 2(12). Total future premium liabilities

These columns report the value of liabilities arising from premiums expected to be received after the reporting, before the effect of insurance risk stress and management actions.

These columns include any other specific liability components that do not fall under the categories of claims, expenses and premiums. Column (5) should report the total future premium liabilities as at the reporting date. Column (12) should report the total future premium liability as at 12 months following the reporting date, but discounted to the reporting date.

2(6). Risk-free present value of tax expenses

This column reports the value of future tax expenses, in respect of profits emerging from premiums expected to be received after the reporting date.

This column only needs to be reported for businesses that are taxed on profits as defined in Attachment H of LPS 112. It is the expected tax expense associated with the present value of the profit margins determined as the difference between the net policy liabilities (as consistent with *LRF 300.1 Statement of Financial Position (SF & SF Eliminations)*) (LRF

300.1)) and the risk-free best estimate liability (RFBEL). It should report the future expected tax expenses as at the reporting date.

2(7). Risk-free present value of net profit

This column reports the value of future net profits after tax that are attributable to shareholders, emerging from premiums expected to be received after the reporting date.

This column only needs to be reported for businesses that are taxed on profits as defined in Attachment H of LPS 112. It is the present value of future net profits after tax associated with the present value of the profit margins determined as the difference between the net policy liabilities (as consistent with LRF 300.1) and the RFBEL.

2(13) and 2(18). Risk-free present value of future claims

These columns report the present value of all future expected claim payments arising from premiums expected to be received after the reporting date.

These items should be present-valued using the risk-free discount rate as per LPS 112, post the application of the insurance stress margins. Item (13) should report the value of future expected claims as at the reporting date, discounted to the reporting date. Item (18) should report the value of future expected claims as at 12 months following the reporting date, but discounted to the reporting date.

2(14) and 2(19). Risk-free present value of future expenses

These columns report the present value of all future expected expenses arising from premiums expected to be received after the reporting date.

These columns should be present-valued using the risk-free discount rate as per LPS 112, post the application of the insurance stress margins. Item (14) should report the value of future expected expenses as at the reporting date, discounted to the reporting date. Item (19) should report the value of future expected expenses as at 12 months following the reporting date, but discounted to the reporting date.

2(15) and 2(20). Risk-free present value of future premiums

These columns report the present value of all future premiums expected to be received after the reporting date from policies remaining in force.

These columns should be present valued using the risk-free discount rate as per LPS 112, post the application of the insurance stress margins and management actions. Item (15) should report the value of future expected premiums as at the reporting date, discounted to the reporting date. Item (20) should report the value of future expected premiums as at 12 months following the reporting date, but discounted to the reporting date.

2(16) and 2(21). Risk-free present value of other liability components

These columns report the value of other specific components of the future premium liability that do not fall under the categories of claims, expenses and premiums.

Column (16) should report the stressed premium liabilities as at the reporting date, discounted to the reporting date. Column (21) should report the stressed future premium liability as at 12 months following the reporting date, but discounted to the reporting date.

These columns are calculated automatically as a balancing item. Column (16) is calculated as column (17) less column (13) less column (14) plus column (15). Column (21) is calculated as column (22) less column (18) less column (19) plus column (20).

2(17) and 2(22). Stressed future premium liabilities

These columns report the value of liabilities arising from premiums expected to be received after the reporting date, post the effect of insurance risk stresses and management actions.

These columns include any other specific liability components that do not fall under the categories of claims, expenses and premiums

3. Components of adjusted policy liabilities

These columns report the components of the adjusted policy liabilities.

3(1). Total past premium liabilities

This column reports the present value of total expected claims and expenses, arising from all premiums that have been received prior to the reporting date, before the effect of the insurance risk stresses.

This column is taken from the reported value of 1(6).

3(2). Premium refund in excess of UPR

This column reports the value of any premium refund payable (in excess of the unearned premium reserve held) at policy's termination based on the policy document's contractual agreement.

The premium refund should be present-valued to the reporting date.

3(3). Other components of termination value

This column reports the value of any other components that must be included in the termination value (as defined in Attachment H of LPS 112) of the respective product group, on top of the past premium liabilities and the excess premium refunds.

Other components reported should have allowance for surrender values paid in the event of voluntary termination, consistent with the requirement of *Prudential Standard LPS 360 Termination Values, Minimum Surrender Values and Paid-up Values*.

This column is calculated automatically as column (4) less column (1) less column (2).

3(4). Total termination value

This column reports the total termination value, in respect of each of the APRA product groups, used in calculating adjusted policy liabilities for the purpose of determining capital base.

3(5). Total future premium liabilities

This column reports the value of liabilities arising from premiums expected to be received after the reporting date, before the effect of insurance risk stresses and management actions.

This column is calculated automatically to equal the values in column (5) of table 2.

3(6). Risk-free best estimate liabilities

This column reports the value of the RFBEL, as defined in Attachment H of LPS 112, used in calculating adjusted policy liability for the purpose of determining capital base.

This column is calculated automatically as the sum of column (1) and column (5).

Section 2: Insurance risk charge

1. Impact of stress margins – participating business and 2. Impact of stress margins – non-participating business

These tables report the change in risk-free best estimate liabilities or participating policy liability, whichever that is applicable as a result of applying the individual insurance stresses for each APRA product group as indicated as per each of the following form items.

Columns (2) to (7) in respect of the impact of the specific individual stresses across the specified product groups should be reported prior to any allowance for diversification benefits between the insurance stresses.

3. Total impact of stress margins

Total participating benefits business

This is the sum of the corresponding columns in table 1 of section 2 across the product groups.

Total non-participating benefits business

This is the sum of the corresponding columns in table 2 of section 2 across the product groups.

Total

This is the sum of the corresponding columns for ‘Total participating benefits business’ and ‘Total non-participating benefits business’.

3.1. Insurance stress diversification factor

This item reports the diversification factor to be applied on the individual insurance stress margins to arrive at the adjusted stress margins as per *Prudential Standard LPS 115 Capital Adequacy: Insurance Risk Charge*.

This item is calculated automatically as ‘Total’ column (8) divided by ‘Total’ column (7).

Section 3: Variable annuities

1. Variable annuity capital charge calculation

1.1. Capital requirement (excluding hedging)

This column reports the estimate of capital requirement covering the associated insurance and asset risks under the combined scenario, in the absence of any hedging/risk mitigation arrangements as per Attachment A of *Prudential Standard LPS 110 Capital Adequacy* (LPS 110).

1.2. Capital requirement (including hedging)

This column reports the estimate of capital requirement covering the associated insurance and asset risks under the combined scenario, allowing for the effect of any hedging/risk mitigation arrangements as per Attachment A of LPS 110.

1.3. Diversification factor between asset and insurance risks

This column reports the diversification factor, where readily determined, that has been estimated between asset and insurance risks in calculating the capital requirement (including hedging).

Reported figures should range from 0 to 1.

1.4. Effectiveness factor

This column reports the effectiveness factor E used to reflect the level of sophistication of the assumed model of dynamic hedging.

Reported figures should range from 0 to 0.7.

1.5. Aggregate risk charge for variable annuities

This item reports the aggregate risk charge for variable annuities determined in accordance with Attachment A of LPS 110.

This item is calculated automatically in accordance with the formula specified in Attachment A of LPS 110.