



Financial Sector (Collection of Data) (reporting standard) determination No. 35 of 2023

Reporting Standard LRS 340.0 Retained Profits

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. 56 of 2013, including *Reporting Standard LRS 340.0 Retained Profits* made under that Determination; and
- (b) DETERMINE *Reporting Standard LRS 340.0 Retained Profits*, 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 340.0 Retained Profits comprises the document commencing on the following page



Reporting Standard LRS 340.0

Retained Profits

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA in relation to a life company's retained profits.

It includes *Form LRF 340.1 Retained Profits (SF & SF Eliminations)* and *Form LRF 340.2 Retained Profits (SF Total, GF, GF Elim, Entity)*, 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 340.1 Retained Profits (SF & SF Eliminations)* and *Form LRF 340.2 Retained Profits (SF Total, GF, GF Elim, Entity)* (the LRF 340 series) 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 the LRF 340 series 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 LRF 340 series in relation to that life company.

Transition

16. A life company 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 by the determination making this Reporting Standard; 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 life company 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 life company 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 life company 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 *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_340_1: Retained Profits (SF and SF Eliminations)

Australian Business Number	Institution Name
	Life Insurers and Friendly Societies
Reporting Period	Scale Factor
Quarterly / Annual	Thousands
Reporting Consolidation	
Statutory fund	

	Australian business		Overseas business		Total business		
	Policy owner interests	Shareholder interests	Policy owner interests	Shareholder interests	Policy owner interests	Shareholder interests	Total
1. Life Insurance Act retained profits at end of prior financial year							
2. Profit/(loss) after tax for period							
2.1. Profit/(loss) after income tax attributable to shareholders							
2.2. Interim & terminal bonuses on claims paid							
2.3. Declared bonuses on in force policies							
2.4. Increase/(decrease) in policy owner retained profits							
2.5. Increase/(decrease) in unallocated benefit fund reserves							
2.6. Life Insurance Act operating profit after tax for period							
3. Transfers in period							

3.1. From other statutory funds

3.2. To other statutory funds

3.3. From general funds

3.4. To general funds - from participating business

3.5. To general funds - from non-participating business

3.6. To/from foreign currency translations

3.7. To/from reserves

3.8. Total transfers in period

4. Provisions for bonuses to participating policy owners

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5. Life Insurance Act retained profits at end of period

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**Annual return reconciliations
(Only complete for annual returns)**

6. Reconciliation adjustments

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7. Retained profits, per general purpose accounts - balance sheet

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LRF_340_2: Retained Profits (SF Total, GF, GF Elim, Entity)

Australian Business Number	Institution Name
	Life Insurers and Friendly Societies
Reporting Period	Scale Factor
Quarterly / Annual	Thousands
Reporting Consolidation	
Licensed insurer	

	Total statutory funds			General fund	General fund elimination	Total entity
	Policy owner interests	Shareholder interests	Total			
1. Life Insurance Act retained profits at end of prior financial year						
2. Profit/(loss) after tax for period						
2.1. Profit/(loss) after income tax attributable to shareholders						
2.2. Interim & terminal bonuses on claims paid						
2.3. Declared bonuses on in force policies						
2.4. Increase/(decrease) in policy owner retained profits						
2.5. Increase/(Decrease) in Unallocated Benefit Fund reserves						
2.6. Life Insurance Act operating profit after tax for period						
3. Transfers in period						
3.1. From other statutory funds						

3.2. To other statutory funds

3.3. From general funds

3.4. To general funds - from participating business

3.5. To general funds - from non-participating business

3.6. To/from foreign currency translations

3.7. To/from reserves

3.8. Dividends

3.9. Other transfers

3.10. Total transfers in period

4. Provisions for bonuses to participating policy owners

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5. Life Insurance Act retained profits at end of period

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Annual return reconciliations (Only complete for annual returns)

6. Reconciliation adjustments

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7. Retained profits, per general purpose accounts - balance sheet

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LRF_340_1 and LRF_340_2 Retained Profits

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

Explanatory notes

Application of reporting items

While these instructions apply to all life companies, including friendly societies, not all items may be applicable to both: some items may not be applicable to friendly societies while others may not be applicable to life insurers.

Australian/Overseas business

This refers to the territory where the life insurance business is carried on, as defined in the *Life Insurance Act 1995* (the Act). In most cases 'Total business' values are derived items, the exception being Total shareholder retained profits at beginning of year.

Policy owner interests/Shareholder interests

This refers to the components of each item being reported as an item of profit that is attributable to the interests of policy owners vs. shareholders respectively. All 'total amounts' results are derived items.

NOTE: Without prejudice, unallocated benefit fund reserves are to be treated as attributable to the interests of policy owners for the purposes of this form.

Instructions for specific items

1. Life Insurance Act retained profits at end of prior financial year

This is the 'brought forward' result. i.e. this amount should equal retained profits at the end of the prior financial year.

2. Profit/(loss) after tax for period

This section provides a derivation of operating profit which is specifically defined in the Act – refer Division 5 of Part 4 (Sections 56-60) for life insurers other than friendly societies. A simpler regime, which is still catered for in this return, applies to a friendly society.

2.1. Profit/(loss) after income tax attributable to shareholders

This item for LRF 340.1 and LRF 340.2 comes directly from item 19 on *LRF 310.1 Income Statement (SF and SF Eliminations)* (LRF 310.1) and *LRF 310.2 Income Statement (SF Total, GF, GF Elim, Entity)* (LRF 310.2) respectively.

2.2. Interim & terminal bonuses on claims paid

This item is only attributable to the interests of policy owners. Therefore, only enter values under 'policy owner interests' columns.

2.3. Declared bonuses on in force policies

Declared bonuses valued in accordance with *Prudential Standard LPS 340 Valuation of Policy Liabilities*.

Note that for this item only report under the ‘policy owner interests’ columns.

2.4. Increase/(decrease) in policy owner retained profits

For this item, only report under ‘policy owner interests’ columns.

2.5. Increase/(decrease) in unallocated benefit fund reserves

As noted above, unallocated benefit fund reserves are to be treated as attributable to the interests of policy owners for the purposes of this form. This item only applies to friendly societies.

2.6. Life Insurance Act operating profit after tax for period

This is the sum of the items above (items 2.1 to 2.5) and is automatically calculated by derivations contained within the forms.

3. Transfers in period

These items affect the development and/or disposition of retained profits, and are to be reported in the following separate components.

3.1. From other statutory funds

Transfers from other statutory funds should be shown as a positive number.

3.2. To other statutory funds

Transfers to other statutory funds should be shown as a negative number.

3.3. From general funds

For each statutory fund, this amount should be shown as a positive number.

For general fund (under LRF 340.2), this is an outward transfer and therefore should be shown as a negative number.

3.4. To general funds - from participating business

3.5. To general funds - from non-participating business

These items are only expected to be applicable to life companies other than friendly societies.

As these are outward transfer from statutory fund to general fund, a negative amount should be reported under LRF 340.1 for the statutory fund.

Given that it is an inward transfer for general fund, this should be shown as a positive number under LRF 340.2.

3.6. To/from foreign currency translations

This item should be shown as a positive/negative number if it is an inward/outward transfer.

3.7. To/from reserves

This item should be shown as a positive/negative number if it is an inward/outward transfer.

3.8. Total transfers in period

This is the sum of items 3.1 to 3.7, and is automatically calculated by the form.

4. Provisions for bonuses to participating policy holders

This is calculated automatically by the form.

5. Life Insurance Act retained profits at end of period

This is calculated automatically by the form.

Annual return reconciliations (Only complete for annual returns)

Reconciliation to retained profit at the end of the period in the general purpose financial statements is only required to be completed as part of the annual returns.

6. Reconciliation adjustments

This is the adjustment necessary to reconcile 'Life Insurance Act retained profits at end of period' (item 5) to the 'retained profits, per general purpose accounts – balance sheet' (item 7). APRA does not propose to routinely collect the components of the reconciliation. Additional information may, however, be sought from the life companies where this figure is significant.

7. Retained profits, per general purpose accounts - balance Sheet

This is the corresponding figure to the 'Life Insurance Act retained profits at end of period' (item 5), except that it is taken from the general purpose accounts of the entity.

Instructions for specific items – LRF 340.2

For LRF 340.2, refer to instructions for the corresponding items in LRF 340.1 for details. In addition, the following instructions apply to items 3.8 to 3.10.

3.8. Dividends

Report the amount of dividend that was paid from the general fund to the parent company (if applicable).

3.9. Other transfers

This is a balancing item for all other inward and outward transfers not specifically categorised in Items 3.1 to 3.8.

It is automatically calculated as Item 3.10 less the sum of Items 3.1 to 3.8.

3.10. Total transfers in period

This is the total net amount of transfers inwards and outwards to/from the funds that affect the development and/or disposition of retained profits.