



Financial Sector (Collection of Data) (reporting standard) determination No. 113 of 2023

Reporting Standard LRS 111.0 Adjustments and Exclusions

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*, determine *Reporting Standard LRS 111.0 Adjustments and Exclusions*, 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 the day it is registered on the Federal Register of Legislation.

This instrument commences upon registration on the Federal Register of Legislation.

Dated: 2 June 2023

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

Interpretation

In this Determination:

APRA means the Australian Prudential Regulation Authority.

Federal Register of Legislation means the register established under section 15A of the *Legislation Act 2003*.

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

Schedule

Reporting Standard LRS 111.0 Adjustments and Exclusions comprises the document commencing on the following page.



Reporting Standard LRS 111.0

Adjustments and Exclusions

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to a life company's adjustments and exclusions to prudential capital requirements as approved by APRA.

It includes associated specific instructions and must be read in conjunction with *Reporting Standard LRS 001 Reporting Requirements* (LRS 001), including the general instruction guide.

Authority

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

Purpose

2. The information reported to APRA under this Reporting Standard is used by APRA for the purpose of prudential supervision including assessing compliance with capital adequacy 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 Act). This Reporting Standard applies for reporting periods ending on or after 1 July 2023.

Information required

4. A life company must provide APRA with the information required by this Reporting Standard 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 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 information provided under this Reporting Standard will be submitted five times for a full financial year.

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

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) in the case of quarterly information, within 20 business days after the end of the reporting period to which the information relates;
 - (b) in the case of annual information, within three months after the end of the reporting period to which the information relates; or
 - (c) in the case of information provided in accordance with paragraph 8, within the time specified by notice in writing.
10. APRA may, in writing, grant a life company an extension of a due date, in which case the new due date will be the date on the notice of extension.

Note: For the avoidance of doubt, if the due date for a particular reporting period falls on a day other than a usual business day, a life company is nonetheless required to submit the information required no later than the due date.

Quality control

11. 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 as may be amended from time to time, to the extent that they are not inconsistent with the requirements of *Prudential Standard LPS 310 Audit and Related Matters*.
12. 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.
13. 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

14. When an officer or agent of a life company provides the information required by this Reporting Standard using an electronic format, the officer or agent must digitally sign the relevant information using a digital certificate acceptable to APRA.
15. An officer or agent of a life company who submits 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

16. APRA may, by written notice to the life company, vary the reporting requirements of this Reporting Standard in relation to that life company.

Interpretation

17. In this Reporting Standard:

- (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) the following definitions are applicable:

Auditor means an auditor appointed under paragraph 83 of the Life Act.

capital adequacy 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.

Life Act means the *Life Insurance Act 1995*.

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.

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

18. Unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard, Australian Accounting or Auditing Standard is a reference to the instrument as in force from time to time.

Reporting Standard LRS 111.0

Adjustments and Exclusions

General instructions

Reporting tables

Tables described in this reporting standard list each of the data fields required to be reported. The data fields are listed sequentially in the column order that they will appear in the reported data set. Constraints on the data that can be reported for each field have also been provided.

Definitions

Terms highlighted in ***bold italics*** indicate that the definition is provided in these instructions.

A

<i>APRA-approved adjustment amount</i>	If APRA is of the view that the Standard Method for calculating the <i>APRA-approved adjustment type</i> does not produce an appropriate outcome in respect of a <i>life company fund</i> , or if a <i>life company fund</i> has used inappropriate judgement or estimation in calculating the <i>APRA-approved adjustment type</i> , APRA may adjust the <i>APRA-approved adjustment type</i> calculation for that <i>life company fund</i> .
<i>APRA-approved adjustment type</i>	This means the type of APRA-approved adjustment. Possible types are: <ul style="list-style-type: none"> • <i>Prescribed Capital Amount</i>; • <i>Asset Risk Charge</i>; • <i>Insurance Risk Charge</i>; • <i>Asset Concentration Risk Charge</i>; • <i>Operational Risk Charge</i>; and • <i>Combined Stress Scenario Adjustment</i>.
<i>Asset Concentration Risk Charge</i>	The <i>Asset Concentration Risk Charge</i> is the minimum amount of capital required to be held against asset concentration risks. The <i>Asset Concentration Risk Charge</i> relates to the risk resulting from investment concentrations in individual assets or large exposures to individual counterparties or groups of related counterparties resulting in adverse movements in the fund's capital base.
<i>Asset Risk Charge</i>	<p>The <i>Asset Risk Charge</i> is the minimum amount of capital required to be held against asset risks. The <i>Asset Risk Charge</i> relates to the risk of adverse movements in the value of the fund's capital base due to credit or market risks.</p> <p>This is calculated in accordance with <i>Prudential Standard LPS 114 Capital Adequacy: Asset Risk Charge</i>.</p>

C

<i>Combined Stress Scenario Adjustment</i>	<p>This Combined Stress Scenario tests whether the tax benefits recognised in determining the <i>Insurance Risk Charge</i> and the <i>Asset Risk Charge</i> can be offset against deferred tax liabilities. It also tests whether any future management actions allowed for in the calculation of the <i>Insurance Risk Charge</i> and the <i>Asset Risk Charge</i> would be achievable. This item also recognises any second order interactions between the asset and insurance risk stresses.</p> <p>This adjustment must be determined in accordance with <i>Prudential Standard LPS 110 Capital Adequacy</i> (LPS 110).</p>
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<i>Insurance Risk Charge</i>	<p>The <i>Insurance Risk Charge</i> is the minimum amount of capital required to be held against insurance risks. The <i>Insurance Risk Charge</i> relates to the risk of adverse impacts due to movements in future mortality, morbidity, longevity, servicing expenses and lapses.</p> <p>This is to be determined in accordance with <i>Prudential Standard LPS 115 Capital Adequacy: Insurance Risk Charge</i>.</p>
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L

<i>Life company fund</i>	<p>This means the type of <i>life company fund</i>. Possible types are:</p> <ul style="list-style-type: none"> • statutory fund; • shareholder fund; • benefit fund; and • management fund.
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O

<i>Operational Risk Charge</i>	<p>The <i>Operational Risk Charge</i> is the minimum amount of capital required to be held against operational risks. The <i>Operational Risk Charge</i> relates to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.</p> <p>This is determined in accordance with <i>Prudential Standard LPS 118 Capital Adequacy: Operational Risk Charge</i>.</p>
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P

<i>Prescribed capital amount</i>	<p>The <i>prescribed capital amount</i> for a life company is the sum of the <i>prescribed capital amounts</i> of each of its funds.</p> <p>This is determined in accordance with LPS 110.</p>
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Specific Instructions

Table 1: Adjustments and exclusions

Reporting basis

Report data for each individual *life company fund*. This table applies to statutory, shareholder, benefit, and management funds.

Report all information as at the reporting date.

Units of measurement

Values in this table must be completed in whole Australian dollars.

	Name	Valid values	Description
1	Life Company Fund Type	<ul style="list-style-type: none"> • Statutory fund • Shareholder fund • Benefit fund • Management fund 	Report the <i>life company fund</i> .
2	Life Company Fund Name	Free text	Report the name of the <i>life company fund</i> .
3	APRA-Approved Adjustment Type	<ul style="list-style-type: none"> • <i>Prescribed Capital Amount</i> • <i>Asset Risk Charge</i> • <i>Insurance Risk Charge</i> • <i>Asset Concentration Risk Charge</i> • <i>Operational Risk Charge</i> • <i>Combined Stress Scenario Adjustment</i> 	Report the <i>APRA-approved adjustment type</i> .
4	APRA-Approved	Free text	Provide a description of the <i>APRA-approved</i>

	Name	Valid values	Description
	Adjustment Description		<p><i>adjustment amount.</i></p> <p>Where the adjustment is a transitional adjustment, the end date for the transitional period is to be clearly included in the description of the item.</p>
5	APRA-Approved Adjustment Transitional Indicator	<ul style="list-style-type: none"> • Yes • No 	<p>Report whether the <i>APRA-approved adjustment amount</i> is transitional.</p> <p>Report 'Yes' if the adjustment is transitional. Report 'No' if the adjustment is not transitional.</p>
6	APRA-Approved Adjustment Amount	Whole dollars	<p>Report the <i>APRA-approved adjustment amount.</i></p> <p>Adjustments that would result in an increase to the <i>APRA-approved adjustment type</i> calculation should be reported as a positive value.</p>