12 July 2013

To: All general insurers and life companies (including friendly societies)

Re: Information to assist general insurers and life companies in reporting the 30 June 2013 quarterly returns due on 26 July 2013

The purpose of this letter is to provide general information to assist general insurers and life companies in completing their quarterly returns. This information reflects feedback and experiences from the 31 March 2013 quarterly reporting and includes reporting clarifications, refreshing forms in D2A, entering confirmation responses, using the test mode in D2A and validation rules.

Guidance on reporting

APRA made certain clarifications to the reporting instructions in response to questions received from general insurers and life companies at the time of submission of the March 2013 quarterly returns. This letter collates previous clarifications (sent to general insurers and life companies on 26 April 2013 and 29 April 2013) and includes further guidance and clarifications. The comments specific to general insurers are in Appendix A and for life companies in Appendix B. The guidance provided in the appendices is also available on the APRA website at the following addresses:


D2A forms

A number of issues with the forms were identified by general insurers and life companies during the submission period of the March 2013 quarterly returns. APRA updated the affected forms in D2A to address these issues. It is recommended that you ‘refresh’ the forms prior to downloading the returns to ensure that you have the most current version to complete.

In D2A, from the menu bar:

- Select ‘FILE’
- then ‘NEW’ (this will open the form chooser)
- Select the relevant return (e.g. General Insurance Quarterly Return - period ending 30 June 2013)
- Click on the ‘New’ button at the bottom of the box (form chooser) and download the forms
**Entering confirmation responses in D2A**

When responding to a validation query in D2A, please ensure that you type the response in the comments field and do not cut and paste from either Word or Excel. Responses pasted from Word or Excel may result in the return not being able to be viewed by you or APRA due to illegal characters that are not recognised by D2A.

If the return cannot be viewed then a resubmission will be required.

**Test submissions in D2A**

At the request of some reporting entities, APRA added a test mode to D2A in 2011. In test mode D2A is able to perform many functions, for example: download returns, forms and validation rules; and test XBRL 2.1 imports without the risk of accidentally submitting to APRA.

Please refer to page 33 of the [D2A Help Version Guide 5.2](#) for further information.

**Validation rules**

Complete lists of D2A validation rules are available on the APRA website. These rules are updated prior to each reporting period and are available on the following webpages:


If you have any questions or require further information, please contact [statistics.insurance@apra.gov.au](mailto:statistics.insurance@apra.gov.au)

Yours sincerely

Barton Ashcroft
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Appendix A

Reporting Guidance for General Insurers - July 2013

**Reporting Form GRF 110_1: Prescribed Capital Amount**

Section 1: Insurance Risk Charge
Item 1.1 (GRF 115_0: OCL Insurance Risk Charge)

According to the reporting instructions for GRF 110_1, Item 1.1 *(GRF 115_0: OCL Insurance Risk Charge)* should correspond to the total in column 13 of section 3 of GRF 115_0 Outstanding Claims Liabilities - Insurance Risk Charge. However column 13 of section 3 of GRF 115_0 Outstanding Claims Liabilities - Insurance Risk Charge in fact relates to Net OCL per GRF 300_0 *(Statement of Financial Position)*.

To address this error, the amendment below is made pursuant to paragraph 14 of the *Reporting Standards GRF 110_1 Prescribed Capital Amount* (GRS 110_1) and is effective for all reporting periods ending on or after 1 January 2013:

*The amount reported in Item 1.1 (GRF 115_0: OCL Insurance Risk Charge) in GRF 110_1 should equal the total of column 12 of Section 3 in GRF 115_0 (OCL Insurance Risk Charge).*

The above amendment will be reflected in the forms and instructions when GRS110_1 *(Prescribed Capital Amount)* is next determined.

**Reporting Form GRF 112_3: Related Party Exposures**

Section 1
Column 9 (Goodwill)

The form instructions for this item state this is the value of goodwill reported on the balance sheet of the subsidiary, joint venture or associate, net of adjustments to profit or loss reflecting changes arising from any impairment.

APRA has identified that in order for the deduction to capture the correct amount of goodwill, this item needs to capture all goodwill attributable to the subsidiary, joint venture or associate. Accordingly, the amendment below is made pursuant to paragraph 14 of *Reporting Standard GRF 112_3 Related Party Exposures* (GRS 112_3) and is effective for all reporting periods ending on or after 1 January 2013:

*This is the value of goodwill attributable to the subsidiary, joint venture or associate, net of adjustments to profit or loss reflecting changes arising from any impairment. The amounts reported must be net of any associated deferred tax liability that would be extinguished if the assets involved become impaired or derecognised under Australian Accounting Standards.*

The above amendment will be reflected in the form and instructions when GRS 112_3 is next determined.
**Reporting Form GRF 114_0: Asset Risk Charge**

Section 1: Asset Risk Charge calculation

1. Items subject to stress
   Item 1.2.1 Non-reinsurance recoveries

For the purposes of calculating the Asset Risk Charge and completing form GRF 114_0, *Item 1.2.1 Non-reinsurance recoveries* is currently required to be completed for all seven stress tests, with the resulting deduction in the capital base reported in columns 3 to 12. This may result in a possible double count of the stress amount on non-reinsurance recoveries at item 1.2.1 and the non-reinsurance recoveries included in the determination of the net insurance liabilities stressed at *Item 1.8 Net outstanding claims liabilities* and *Item 1.9 Adjusted net premiums liabilities*.

Therefore, *Item 1.2.1 Non-reinsurance recoveries* should only be completed for the default stress (column 12) with it being included in items 1.8 and 1.9 for the real interest rate stress, expected inflation stress and currency stress. This amendment then removes any potential double count because of stressing the non-reinsurance recoveries twice. Therefore, general insurers are not required to report any stress amount in columns 3 to 11 for *Item 1.2.1 Non-reinsurance recoveries*. These columns should be left blank for the purposes of completing GRF 114_0. This aligns with the treatment of non-reinsurance recoveries to that of *Item 1.13 Reinsurance assets for default stress*, whereby these assets are only subject to the default stress.

This amendment is made pursuant to paragraph 14 of *Reporting Standard GRF 114_0 Asset Risk Charge* (GRS 114_0) and is effective for all reporting periods ending on or after 1 January 2013. It will be reflected in the form and instructions when GRS 114_0 is next determined.

**Reporting Form GRF 310_2: Claims Expense and Reinsurance Recoveries**

In the letter from Friday 26 April 2013, APRA noted an amendment to the form instructions for GRF 310_2, following questions received from institutions. The amendment resolved an inconsistency that had been identified between data validations included in the D2A form and section 3 of the form instructions.

Following this amendment advice, APRA had received additional queries and feedback from insurers. This feedback related to the practical issues in splitting reinsurance and non-reinsurance recoverables relating to paid claims by individual classes of business. Feedback also noted that alignment of recoverables with the treatment of claims balances would be improved by excluding recoverables relating to paid claims from columns 7, 8, 11 and 12.

On the basis of this feedback, APRA amended the D2A validation to exclude recoverables from paid claims being reported on GRF 310_2 in the receivables columns 7, 8, 11, 12.

This amendment is made pursuant to paragraph 14 of *Reporting Standard GRF 310_2 Claims Expenses and Reinsurance Recoveries* (GRS 310_1) and is effective for all reporting periods ending on or after 1 January 2013. It will be reflected in the form and instructions when GRS 310_2 is next determined.

**Treatment of ‘Other’ data items**

APRA participates in the Government’s Standard Business Reporting (SBR) program and, during consultation in June 2012, proposed to change the design of reporting forms in relation to the treatment of ‘other’ data items. This change was proposed to comply with the SBR principle of maximising the reuse of data elements.
Under the previous reporting framework, ‘Other’ data items were input fields in a number of reporting forms and, as such, required a specific definition for each reporting form. In the new collection, APRA revised the design of the reporting forms for insurers such that, where applicable, ‘Other’ data items are balancing items.

As a result ‘Other’ data items (where applicable) are now being calculated in the form and the ‘Total’ data items are input fields. Therefore, the ‘Total’ amount should be entered by the insurer, and the ‘Other’ data item will be derived automatically. The form instructions detail how the ‘Other’ data item is derived.

For example in GRF 300.0 (Statement of Financial Position) - Item 2.9 (Total receivable) should be entered, and then item 2.8 (Other receivables) will then be calculated automatically.
Appendix B

Reporting Guidance for Life Companies (including Friendly Societies) - July 2013

Reporting Form LRF 110_2: Prescribed Capital Amount (Entity)

Section 1: Summary of prescribed capital amount

Item 1 Life Company: Prescribed capital amount

According to the reporting instructions, LRF 110_2 *Prescribed Capital Amount* is the total prescribed capital amount at the life company level.

The Prescribed Capital Amount is calculated as the sum of Item 9 (Prescribed capital amount) across all LRF 110_1 *Prescribed Capital Amount* forms.

This sum is subjected to a floor of $10 million at the life company level, except for any friendly society in relation to which exemption or transition has been granted by APRA regarding the minimum prescribed capital amount. Any such approved minimum would replace the $10 million floor accordingly.

Reporting Form LRF 112_0: Determination of Capital Base (SF)

Section 2: Additional information - Capital Base

Item 1 Liability adjustments

LRF 112_0 has the following validation rule: *Additional information - Capital base, Liability adjustments must equal Asset risk charge calculation, Adjusted balance sheet - pre-stress, Liability adjustments on LRF 114_0 Asset Risk Charge.*

In prudential standard LPS 112 Attachment B, paragraph 22 describes the liability adjustments as inclusive of tax effects.

LRF 112_0 is consistent with *Prudential Standard LPS 112 Capital Adequacy: Measurement of Capital* (LPS 112). The instructions for Section 1 Item 3 Liability Adjustments in LRF 114 refer back to LPS 112, and therefore the pre-stress liability adjustments on LRF 114 should include tax effects.

As noted in the instructions to LRF 114_0, tax benefits arising as a result of the stresses are reported separately in item 1.3 in LRF 114_0.

In order to report correctly and to satisfy the validation rule, entities should enter a net of tax value in *LRF 114_0 section 1 Item 3 Pre-stress Liability Adjustments value.*

Treatment of ‘Other’ data items

APRA participates in the Government’s Standard Business Reporting (SBR) program and, during consultation in June 2012, proposed to change the design of reporting forms in relation to the treatment of ‘other’ data items. This change was proposed to comply with the SBR principle of maximising the reuse of data elements.

Under the previous reporting framework, ‘Other’ data items were input fields in a number of reporting forms and, as such, required a specific definition for each reporting form. In the new
collection, APRA revised the design of the reporting forms for insurers such that, where applicable, ‘Other’ data items are balancing items.

As a result 'Other’ data items (where applicable) are now being calculated in the form and the ‘Total’ data items are input fields. Therefore, the ‘Total’ amount should be entered by the insurer, and the 'Other’ data item will be derived automatically. The form instructions detail how the ‘Other’ data item is derived.

For example in LRF 310.1 (Income Statement and Related Information (SF and SF Eliminations) - Item 5 (Total revenue) should be entered, and then item 4 (Other revenue) will be then calculated automatically.