

GRF_310_0_G Income Statement (G)

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

Explanatory notes

Total business

For each line item where the data for individual regions is required to be manually entered, then the total business column must also be manually entered. For each line item, this will represent the sum of values reported under:

- Australian business;
- each region for international business; and
- inter-region elimination.

Inter-region elimination

The value of inter-region transactions, which are eliminated on consolidation, need to be reported as negative values under 'Inter-region elimination'.

Australian business

For prudential reporting purposes 'Australian business' is as defined in *Prudential Standard GPS 001 Definitions* and means insurance business carried on by any Level 1 insurer within a Level 2 insurance group. Therefore, all insurance business written by Level 1 insurers is deemed to be Australian business. This treatment is different to the requirements of *Australian Accounting Standard AASB 1023 General Insurance Contracts* (AASB 1023) and other applicable Australian Accounting Standards.

International business

International business is to be reported according to the following geographical regions: New Zealand; South East Asia; Asia Pacific; USA; Americas; UK/Europe; and Other.

Instructions for specific items

1. Gross earned premium

Gross earned premium must be determined in accordance with the requirements of AASB 1023.

Where there is reinsurance between regions, regions are to be reported on a separate basis. That is, the region directly assuming the risks must report as direct business. The reinsuring region should report this as direct business as well.

Where reinsurance occurs between entities in one region, the reinsurance transaction is eliminated on consolidation.

1.1. Gross earned premium on direct business

For each region, report the gross earned premium on direct business.

1.2. Gross earned premium on inwards reinsurance business

For each region, report the gross earned premium on inwards reinsurance business.

1.3. Total gross earned premium

This is automatically calculated as the sum of Items 1.1 and 1.2.

2. Reinsurance expense

Reinsurance expense must be determined in accordance with the requirements of AASB 1023.

2.1. Reinsurance expense attributed to direct business

For each region, report the reinsurance expense attributed to direct business.

2.2. Reinsurance expenses attributed to inwards reinsurance business

For each region, report the reinsurance expense attributed to inwards reinsurance business.

2.3. Total outward reinsurance expense

This is automatically calculated as the sum of Items 2.1 and 2.2.

3. Net premium revenue

This is automatically calculated as Item 1.3 less Item 2.3.

4. Claims expense

Report the gross claims expense in this section.

4.1. On direct business

For each region, report the claims expense attributed to direct business.

4.2. On inwards reinsurance business

For each region, report the claims expense attributed to inwards reinsurance business.

4.3. Gross claims expense

This is automatically calculated as the sum of Items 4.1 and 4.2.

5. Reinsurance recoveries revenue

Report the reinsurance recoveries in this section.

5.1. On direct business

For each region, report the reinsurance recoveries attributed to direct business.

5.2. On inwards reinsurance business

For each region, report the reinsurance recoveries attributed to inwards reinsurance business.

5.3. Total reinsurance recoveries revenue

This is automatically calculated as the sum of Items 5.1 and 5.2.

6. Other recoveries revenue

This is the revenue from recoveries other than reinsurance recoveries.

7. Total recoveries

This is automatically calculated as the sum of Items 5.3 and 6.

8. Net incurred claims

This is automatically calculated as Item 4.3 less Item 7.

8.1. Net incurred claims which is: current period net claims expense

This is the value of net insurance claims expense recognised during the relevant period, but which only relate to the current period. Current period net claims expense represents:

- current period claims payments;
- current period reported outstanding case estimates (i.e. case estimates created in the current period); and
- current period incurred but not reported (and incurred but not enough reported) claims expenses.

Current period net claims expense should be defined and reported according to the following: net of all recoverables (including input tax credits reinsurance, salvage, subrogation and other recovery types); inclusive of claims handling expense, assuming that industry generally includes claims handling costs with the claim paid component of the incurred claims expense; the outstanding claims component be inflated only i.e. undiscounted; and the outstanding claims component be on a central estimate basis i.e. without risk margins.

'Current period' should only include claims incurred in the current accident year. For this purpose the current accident year should be aligned to the insurer's current financial year.

8.2. Net incurred claims which is: non recurring items that are part of total net claims expense

This is the value of net insurance claims expense recognised during the relevant period, but which only relate to non-recurring items. Non-recurring net claims expense represents those net claims expenses that are not classified as current period, and is a balancing item such that current period net claims expense and non-recurring claims expense are equal to net claims expense.

Half-yearly actuarial reviews are not required to be conducted specifically for the purposes of completing Items 8.1 and 8.2.

9. Underwriting expenses

9.1. Acquisition costs

Report the acquisition costs expensed for the period as recognised in accordance with Australian Accounting Standards. For the purposes of this item, exclude commission expenses which are to be included in Item 9.5 below.

9.2. Other underwriting expenses

This item will include all other underwriting expenses which are not included in Item 9.1. It is automatically calculated as Item 9.6 less the sum of Items 9.1, 9.3, 9.4 and 9.5.

9.3. Liability adequacy test deficiency on unexpired risk

Report any adjustments from the liability adequacy test carried out in accordance with AASB 1023. This information is only to be supplied for geographical segments in cases where it is readily available. Where this information is not available, the Level 2 insurance group must be able to provide APRA with details of how application of the liability adequacy test has impacted profitability of geographical segments.

9.4. Commission revenue

Report the value of commission revenue earned for the period. The measurement and recognition of commission revenue must be in accordance with the Australian Accounting Standards. Commission revenue is to be reported as a negative value.

9.5. Commission expense

Report the value, for the duration of the reporting period, of commission or brokerage paid for obtaining business for the Level 2 insurance group. This item is determined in accordance with Australian Accounting Standards.

9.6. Total underwriting expenses

This is the total of underwriting expenses of the reporting insurer, including acquisition costs, the results of liability adequacy tests, levies and charges and commission expense net of commission revenue.

10. Underwriting result

The underwriting result is calculated automatically by the form and is derived from Item 3 less Item 8 less Item 9.6.

11. Investment income

11.1. Dividend revenue

Dividend revenue is to be recognised in accordance with Australian Accounting Standards.

It is automatically calculated by the form and represents the sum of Items 11.1.1 and 11.1.2.

For each region, report the value of dividend income received by the Level 2 insurance group for the period on:

- 11.1.1 Listed equity; and
- 11.1.2 Unlisted equity.

11.2. Interest revenue

Interest revenue is to be recognised in accordance with Australian Accounting Standards. Report the value of interest revenue for each region during the period.

11.3. Trust revenue

This is automatically calculated as the sum of Items 11.3.1 and 11.3.2.

11.3.1. Trusts on a 'look-through basis'

This is the value of distributions received from trusts where the entity has chosen a look-through basis during the relevant period.

11.3.2. Trusts without 'look-through'

This is the value of distributions received from trusts where the entity has chosen a non look-through basis during the relevant period.

11.4. Rental income

Rental income represents the revenue arising from the Level 2 insurance group's assets yielding rent, for example investment property rentals under *Australian Accounting Standard AASB 140 Investment Property* (AASB 140).

For each region, report the value of rental income earned during the period.

11.5. Other investment income

This consists of all other investment income not reported above. It is automatically calculated as Item 11.7 less the sum of Items 11.1 to 11.4 and 11.6.

11.6. Net changes in fair value of investments

Changes in the fair value of investments are to be recognised in accordance with Australian Accounting Standards. For the measurement of assets, follow AASB 1023 and other Australian Accounting Standards. Unlike at Level 1, APRA will accept the notion of assets backing insurance liabilities for the Level 2 insurance group, provided these assets represent all assets controlled and managed by the group to support insurance liabilities. Investments backing general insurance liabilities must be measured at fair value.

The form requires Level 2 insurance groups to report the net changes in the fair value of investments separately, based on whether they are: realised gains and losses; or unrealised gains and losses.

It is automatically calculated as the sum of Items 11.6.1 and 11.6.2. Record gains as positive amounts and losses as negative amounts.

11.6.1. Realised net gains and losses on

For each region, report the realised net gains or losses on:

11.6.1.1 Interest bearing instruments;

11.6.1.2 Listed equity;

11.6.1.3 Unlisted equity;

11.6.1.4 Investment property; and

11.6.1.5 Other investments.

Item 11.6.1.5 is automatically calculated as Item 11.6.1 less the sum of Items 11.6.1.1 to 11.6.1.4.

11.6.2. Unrealised net gains and losses on

For each region, report the unrealised net gains or losses on:

11.6.2.1 Interest bearing instruments;

11.6.2.2 Listed equity;

11.6.2.3 Unlisted equity;

11.6.2.4 Investment property; and

11.6.2.5 Other investments.

Item 11.6.2.5 is automatically calculated as Item 11.6.2 less the sum of Items 11.6.2.1 to 11.6.2.4.

11.7. Total investment income

This is the total income from investment assets of the Level 2 insurance group.

For each region, Level 2 insurance groups are to report the total investment income arising from:

11.7.1 Assets backing insurance liabilities; and

11.7.2 Shareholders' funds.

Investment income is to be determined for these items in the same manner as is adopted by the Australian Accounting Standards.

12. Other income

12.1. Net foreign exchange gains

Report any gains on foreign exchange separately for each region. Foreign exchange gains should be reported in accordance with Australian Accounting Standards.

The amount reported is on a net basis. If a value is reported for a region at this item, then no value can be reported for this region at Item 13.3.

12.2. Bargain purchases immediately recognised in profit or loss

Report bargain purchases immediately recognised in profit and loss, recognised and measured in accordance with Australian Accounting Standards.

12.3. Defined benefit actuarial gains

Report the value of any defined benefit actuarial gains recognised and measured in accordance with Australian Accounting Standards.

12.4. Other income

Report all other income not reported above in this item. Include in this item any increment or decrement (write down) from the revaluation of other assets. Decrements are to be reported as a negative number.

This is automatically calculated as Item 12.6 less the sum of Items 12.1 to 12.3 and 12.5.

12.5. Profit from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

Report any gain on the measurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation.

This item must be completed in accordance with the requirements of Australian Accounting Standards.

12.6. Total other income

This is the value of income for the Level 2 insurance group other than income reported on previous items in this form.

13. Other expenses

13.1. Investment expenses on assets backing insurance liabilities

For each region, report the value of investment expenses incurred for the period by the Level 2 insurance group on assets backing insurance liabilities.

13.2. Investment expenses on shareholders' funds

For each region, report the value of investment expenses incurred for the period by the Level 2 insurance group on shareholders' funds.

13.3. Net foreign exchange losses

Report any losses on foreign exchange separately for each region. Foreign exchange losses should be reported in accordance with Australian accounting standards. The amount reported is on a net basis. If a value is reported for a region at this item, then no value can be reported for this region at item 12.1.

13.4. Finance costs

For each region, report the value of expenses incurred for the period in relation to financing.

13.5. Defined benefit actuarial losses

Report the value of any defined benefit actuarial losses recognised and measured in accordance with Australian Accounting Standards.

13.6. Other operating expenses

Report in this item other operating expenses not reported above.

13.7. Loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

Report any loss on the measurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation.

This item must be completed in accordance with the requirements of Australian Accounting Standards.

13.8. Other

Report in this item expenses not reported above. This will include any:

- impairment of goodwill recognised in the income statement in accordance with the requirements of Australian Accounting Standards; and
- net asset revaluation adjustments (including non-consolidated subsidiaries) that is recognised in the income statement. These amounts may not equal the amounts reported in accordance with Australian Accounting Standards due to the prudential requirements relating to the valuation of non-consolidated subsidiaries and the mandatory revaluation of owner-occupied property using the revaluation model under *Australian Accounting Standard AASB 116 Property Plant and Equipment* (AASB 116).

This is automatically calculated as Item 13.9 less the sum of Items 13.1 to 13.7.

13.9. Total other expenses

This is the value of expenses for the Level 2 insurance group other than expenses reported on previous items in this form.

14. Profit (loss) before income tax expense (benefit) from continuing operations

This is automatically calculated as Item 10 plus Item 11.7 plus Item 12.6 less Item 13.9.

15. Income tax expense (benefit) from continuing operations

This represents the income tax expense or benefit attributable to the profit or loss from continuing operations.

This item must be completed in accordance with the requirements of Australian Accounting Standards.

16. Profit (loss) after income tax and before minority interests from continuing operations

This is automatically calculated as Item 14 less Item 15.

17. Profit (loss) after income tax from discontinued operations

Profit (loss) after income tax from discontinued operations is to be classified and reported in accordance with the Australian Accounting Standards.

18. Total profit (loss) after income tax and discontinued operations and before minority interests

This is automatically calculated as the sum of Items 16 and 17.

19. Net profit (loss) after income tax attributable to minority interests

This item is to be reported in accordance with the requirements of the Australian Accounting Standards.

20. Net profit (loss) after income tax attributable to members of the company

This is automatically calculated as Item 18 less Item 19.

21. Retained earnings at the beginning of the financial year

Report here the relevant retained earnings amount at the beginning of the current financial year. For the first year of reporting the APRA forms, use the retained earnings figure as per the Level 2 insurance group's financial statements prepared in accordance with Australian Accounting Standards.

22. Adjustments to retained earnings due to changes in accounting policies

Include the value of aggregate adjustments to retained earnings due to changes in accounting policies in accordance with Australian Accounting Standards.

23. Reduction in retained earnings on share buyback

Disclose that portion of the consideration used for share buy backs during the reporting period that is allocated to retained earnings. This should be entered as a positive value.

24. Amounts transferred to / from reserves

Disclose the net amount of funds transferred during the reporting period between reserves and retained earnings. A net transfer from reserves will be a positive value and a net transfer to reserves will be a negative value.

25. Total available for appropriation

This is automatically calculated as Item 20 plus Item 21 plus Item 22 less Item 23 plus Item 24.

26. Dividends declared or paid

Report dividends that have been declared or paid by the Level 2 insurance group during the reporting period. Dividends are to be recognised in accordance with the Australian Accounting Standards.

27. Retained earnings at the end of the reporting period

This is automatically calculated as Item 25 less Item 26.