



25 November 2020

Reporting Form Liabilities – General Insurance

REPORTING INSTRUCTIONS

These instructions assist completion of the *Reporting Form Liabilities – General Insurance*.

Report information on a best endeavours basis. Where information is not available within the timeframes requested, provide available information and do not delay the submission.

Please provide in a response letter, an explanation of the significant judgements made, assumptions used (including an indication of the current level of uncertainty in the working assumptions) and business lines excluded when preparing this QIS. This is to facilitate APRA's understanding of the data included in the QIS.

Liability calculation approach

This form collects data on underlying liabilities that insurers calculate to determine the capital requirements.

For this QIS exercise, general insurers are to apply the principles and parameters outlined in Chapter 2 of the discussion paper.

Reporting consolidation

Information in this form is to be completed by general insurers for each reporting period on a Level 1 (licensed insurer) basis.

Reporting basis and units of measurement

Report values in this form in whole Australian dollars (AUD) with no decimal place.

General accounting basis

Convert amounts denominated in foreign currency to AUD in accordance with *AASB 121 The Effects of Changes in Foreign Exchange Rates*.

Reporting periods and due dates

Each insurer must complete this form with information as at the most recent reporting year end. The form is required to be provided to APRA by **5pm AEST, 31 March 2021**.

Excel template - Shaded areas

- Shaded areas in grey: Insurers are not to complete these data items.
- Shaded areas in blue: Insurers are not to complete these data items. However, APRA may collect the data items under the revised reporting framework.

SPECIFIC INSTRUCTIONS

Approach to the liability data collection

APRA has outlined below its current thinking of ways of utilising the liability data to have views of profitability and liability profiles by APRA product groups. APRA is seeking feedback from insurers on ways to improve APRA's data collection approach to liabilities such that it can effectively perform analysis of profitability and liability profiles.

APRA product groups

The proposed APRA product groups are outlined in the instruction for Income Statement by Product Grouping – General Insurance. Insurers are to refer to the proposed APRA product groups when completing this form.

Valuation basis

Within each APRA product group, some valuation data (actuals as at reporting date) will be collected on up to three bases, indicated as follows:

- LY/LY: Current position, based on previous year's valuation basis
- LY/TY: Current position, based on previous year's valuation basis substituting current year's investment and economic assumptions
- TY/TY: Current position, based on current year's valuation basis

For example, insurers would report LY/LY liabilities reflecting current case estimates and actual payments that have occurred in the reporting year but applying the previous year's economic and non-economic assumptions.

APRA proposes to refer to the liability values reported under the bases outlined above to assess liability movements and sufficiency of previously selected assumptions and liability levels.

Discount unwind

Discount unwind is a discounting component of actual outstanding claims values (LY/LY) as at reporting date that were rolled-forward from the prior year reporting date to the current year reporting date.

Accident year basis vs underwriting year basis

APRA notes that insurers currently analyse liabilities based on either accident year or underwriting year bases.

Insurers are to complete this form using the basis currently being used to analyse the *GPS 340 Insurance Liability Valuation* (GPS 340) liabilities. For example, if an insurer analyses the GPS 340 liabilities by underwriting year, the insurer should indicate this in the QIS workbook and complete the form based on the underwriting year data.

Insurers are to refer to the *GRF 410 Movement In Outstanding Claims Liabilities* definitions of accident year and underwriting year when completing this form.

Value as at 12 months after reporting date (projected roll-forward)

Within each APRA product class, some liability data will be collected as at 12 months after reporting date.

For Outstanding Claims Liability (OCL), the liabilities as at 12 months after the reporting date are the projected roll-forward value of the liabilities. For example, if an insurer reports the OCL as at 30 June 2020, the projected roll-forward liability would report the OCL as at 30 June 2021 after reflecting the liability amounts that are expected to be released / paid from the 30 June 2020 OCL in the next 12 months.

In the following year, actual OCL will be compared with the expected amounts derived from the prior year form, after discount unwind. APRA intends to use these data to assess liability movements and sufficiency of previously selected assumptions and liability levels.

Section 1: Roll forward of outstanding claims liability consisting of claims incurred (accident year basis) or claims incurred in respect of policies incepted (underwriting year basis) before the end of the prior reporting year

This section reports the components of actual GPS 340 OCL consisting of claims incurred (accident year basis) or claims incurred in respect of policies incepted (underwriting year basis) before the end of the prior reporting year as at reporting date and as at 12 months after reporting date by APRA product groups.

APRA intends to collect more granular data on the GPS 340 OCL such that it can better understand liability profiles and movements.

Item 1.1	Gross OCL – Gross central estimate This item is the value of the discounted central estimate component of the GPS 340 OCL, gross of any recoveries.
Item 1.2	Gross OCL – Gross risk margin (diversified) This item is the value of the discounted diversified risk margin component of the GPS 340 OCL, gross of any recoveries.
Item 1.3	Net OCL – Present value of non-reinsurance recoverables This item is the present value of recoverables under arrangements, other than reinsurance arrangements associated with the GPS 340 OCL, net of any provisions for depreciation or impairment. Recoverables to be included at this item include salvage, subrogation, and input tax credit recoveries, amongst others.
Item 1.4	Net OCL – Present value of reinsurance recoverables This item is the present value of reinsurance recoverables under a reinsurance arrangement that arise from the recognition of the GPS 340 OCL. The value must be reported net of any provisions for doubtful debts.
Item 1.5	Net OCL – Present value of net claims after reinsurance and non-reinsurance recoverables

	<p>This item is the present value net claims associated with the GPS 340 OCL after reinsurance and non-reinsurance recoverables. This amount excludes expenses associated with the GPS 340 OCL.</p>
Item 1.6	<p>Net OCL – Present value of claims handling expense</p> <p>This item is the present value of claims handling expense associated with the GPS 340 OCL.</p>
Item 1.7	<p>Net OCL – Present value of other OCL items</p> <p>This item is the present value of other items associated with the GPS 340 OCL. This item would include additional expenses allowed in the GPS 340 OCL reflecting the expanded expense basis position outlined in the discussion paper.</p> <p>In the QIS workbook, APRA asked insurers to outline the components reported under this item.</p>
Item 1.8	<p>Net OCL – Net central estimates</p> <p>This item is the value of the discounted central estimate component of the GPS 340 OCL, net of any reinsurance and non-reinsurance recoverables.</p>
Item 1.9	<p>Net OCL – Net risk margin (standalone)</p> <p>This item is the value, as at the reporting date, of the discounted stand-alone risk margin component of the GPS 340 OCL, net of any reinsurance and non-reinsurance recoveries, determined in accordance with GPS 340.</p> <p>The stand-alone risk margin refers to the risk margin that has been applied to a group of business where no allowance for diversification with other classes of business has been allowed.</p>
Item 1.10	<p>Net OCL – Net risk margin (diversified)</p> <p>This item is the value, as at the reporting date, of the discounted diversified risk margin component of the GPS 340 OCL, net of any reinsurance and non-reinsurance recoveries, determined in accordance with GPS 340.</p> <p>The diversified risk margin refers to the risk margin that has been applied to a group of business after allowance for diversification across the whole insurance portfolio.</p>
Item 1.11	<p>Net OCL – Insurance Risk Charge</p> <p>This is the Insurance Risk Charge in respect of the GPS 340 OCL.</p>
Items 1.12 to 1.18	<p>Refer to the corresponding items above when reporting items 1.12 to 1.18.</p>

Section 2: Outstanding claims liability consisting of new claims incurred (accident year basis) or claims incurred in respect of new policies incepted (underwriting year basis) in the reporting year

This section reports the components of actual GPS 340 OCL consisting of claims incurred (accident year basis) or claims incurred in respect of new policies incepted (underwriting year

basis) during the reporting year as at the reporting date and as at 12 months after the reporting date by APRA product groups.

Refer to the definitions of the Section 1 items when completing Section 2.

Section 3: Premiums liabilities

This section reports the components of actual GPS 340 premiums liability (PL) as at reporting date.

APRA intends to collect more granular data on the GPS 340 PL such that it can better understand liability profiles. For example, commissions and exchange commissions could be material depending on the reinsurance arrangements in place so APRA intends to collect these items separately.

APRA also intends to use the GPS 340 PL data in conjunction with the Unearned Premium Liability / Reserve (UPR), Deferred Reinsurance Expense (DRE) and Insurance Acquisition Cash Flows (IACF) data to obtain a prospective view of profitability and risk profiles by APRA product groups (or a Liability Adequacy Test view by APRA product groups). APRA views that this approach results in significantly lower regulatory burden as opposed to APRA asking insurers to separately determine groups of insurance contracts by APRA product groups for APRA reporting (indicative direction outlined in the APRA letter dated 27 September 2019).

Item 3.1	<p>Gross PL - Gross central estimate</p> <p>This item is the value of the discounted central estimate component of the GPS 340 PL, gross of any recoveries.</p> <p>For clarity, in relation to expected claims, the approach is to calculate the present value of all expected future incurred claims after the reporting date within the projection period.</p>
Item 3.2	<p>Gross PL – Gross risk margin (diversified)</p> <p>This item is the value of the discounted diversified risk margin component of the GPS 340 PL, gross of any recoveries.</p>
Item 3.3	<p>Net PL – Present value of non-reinsurance recoveries</p> <p>This item is the present value of recoveries under arrangements, other than reinsurance arrangements associated with the GPS 340 PL, gross of any provisions for depreciation or impairment.</p> <p>Recoveries to be included at this item include salvage, subrogation, and input tax credit recoveries, amongst others.</p>
Item 3.4	<p>Net PL – Present value of expected reinsurance recoveries</p> <p>This is the value of expected reinsurance recoveries associated with the GPS 340 PL, gross of any provisions for depreciation or impairment.</p>
Item 3.5	<p>Net PL - PV of expected future reinsurance costs for the premiums liability not covered by the current reinsurance arrangements</p>

	<p>This is the value of expected future reinsurance costs for the premiums liability not covered by the current reinsurance arrangements calculated in accordance with GPS 340 paragraph 40.</p>
Item 3.6	<p>Net PL – Present value of net claims after reinsurance and non-reinsurance recoveries</p> <p>This item is the present value net claims associated with the GPS 340 PL after expected reinsurance and non-reinsurance recoveries. This amount excludes expenses associated with the GPS 340 PL but reflects item 3.5.</p>
Item 3.7	<p>Net PL – Present value of commissions</p> <p>This item is the present value of commissions associated with the GPS 340 PL.</p>
Item 3.8	<p>Net PL – Present value of reinsurance exchange commissions</p> <p>This item is the present value of reinsurance exchange commissions associated with the GPS 340 PL.</p>
Item 3.9	<p>Net PL – Present value of claims handling expense</p> <p>This item is the present value of claims handling expense associated with the GPS 340 PL.</p>
Item 3.10	<p>Net PL – Present value of policy administration expense</p> <p>This item is the present value of policy administration expense associated with the GPS 340 PL.</p>
Item 3.11	<p>Net PL – Present value of other PL items</p> <p>This item is the present value of other items associated with the GPS 340 PL. This item would include additional expenses allowed in the GPS 340 PL reflecting the expanded expense basis position outlined in the discussion paper.</p> <p>In the QIS workbook, APRA asked insurers to outline the components reported under this item.</p>
Item 3.12	<p>Net PL – Net risk margin (standalone)</p> <p>This item is the value, as at the relevant date, of the discounted stand-alone risk margin component of the GPS 340 PL, net of any reinsurance and non-reinsurance recoveries, determined in accordance with GPS 340.</p> <p>The stand-alone risk margin refers to the risk margin that has been applied to a group of business where no allowance for diversification with other classes of business has been allowed.</p>
Item 3.13	<p>Net PL – Net risk margin (diversified)</p>

	<p>This item is the value, as at the relevant date, of the discounted diversified risk margin component of the GPS 340 PL, net of any reinsurance and non-reinsurance recoveries, determined in accordance with GPS 340.</p> <p>The diversified risk margin refers to the risk margin that has been applied to a group of business after allowance for diversification across the whole insurance portfolio.</p>
Item 3.14	<p>Net PL – Insurance Risk Charge</p> <p>This item is the Insurance Risk Charge in respect of the GPS 340 PL.</p>

Section 4: Other items

As outlined above, APRA intends to collect IACF data in conjunction with UPR, DRE and GPS 340 PL data to form a view on prospective profitability by APRA product groups.

Item 4.1	<p>Insurance contract - AASB 17 - IACF component within LRC</p> <p>This is an estimate of IACF components within the AASB 17 Liability for Remaining Coverage (LRC) under Premium Allocation Approach (PAA) and General Measurement Model (GMM) by APRA product groups.</p> <p>The estimation is to be based on a considered analysis reflecting the financial and cash flow profiles of individual APRA product groups.</p> <p>The aggregate of APRA product group IACF components must reconcile with the overall AASB 17 IACF component for underlying insurance contracts.</p> <p>Report the asset component as a positive number (not as a negative liability number).</p>
Item 4.2	<p>Insurance contract - AASB 17 - IACF asset item</p> <p>This is an allocated amount of the aggregate AASB 17 IACF asset item by APRA product groups. The IACF asset item is recognised under AASB 17 paragraph 28B.</p> <p>The allocation is to be based on a systematic and rational approach reflecting how each APRA product group contributed to the origination of the IACF asset item.</p> <p>The aggregate of APRA product group IACF asset items must reconcile with the overall AASB 17 IACF asset item for underlying insurance contracts.</p> <p>Report the asset item as a positive number (not as a negative liability number).</p>
Item 4.3	<p>Insurance contract - AASB 17 - IACF written off under PAA in the reporting year</p> <p>This is an allocated amount of the aggregate AASB 17 IACF written off under AASB 17 paragraph 59(a) by APRA product groups for insurance contracts.</p> <p>This excludes impairment expense recognised after assessing the recoverability of the IACF asset item.</p>

	<p>The allocation is to be based on a systematic and rational approach reflecting how each APRA product group contributed to the origination of the IACF that was written off.</p> <p>Report the IACF written off amount for insurance contracts as a positive number.</p>
Items 4.4 to 4.6	<p>Please refer to items 4.1 to 4.3 when reporting items 4.4 to 4.6.</p> <p>Report IACF liability component within Reinsurance Remaining Coverage (RRC), IACF liability item and IACF written off for reinsurance contracts as positive numbers (not as negative asset numbers).</p> <p>Please note that APRA is currently assessing how reinsurance initial commission received would be treated under PAA and GMM for reinsurance contracts. The definitions will be updated once the reporting position is confirmed.</p>

Section 5: Items relating to additional regulatory adjustments

As outlined in the discussion paper, APRA proposes no change in the overall approach to the application of the liability regulatory adjustment, but proposes additional regulatory adjustments to minimise impact from AASB 17 changes. APRA intends to collect data on the additional regulatory adjustments at an aggregate level.

Item 5.1	<p>Insurance contract - Premiums invoiced but not received</p> <p>This relates to premiums invoiced but not received for insurance arrangements in place.</p>
Item 5.2	<p>Insurance contract – Present value of expected premiums due (not invoiced) within the projection period</p> <p>This item is the present value of expected premiums due (not invoiced) from exposures within the GPS 340 PL projection period for insurance arrangements in place.</p>
Item 5.3	<p>Insurance contract - Present value of expected premiums due relating to unclosed business</p> <p>This item is the present value of expected premiums due (not invoiced) from unclosed business.</p>
Items 5.4 to 5.6	<p>Refer to items 5.1 to 5.3 when determining items 5.4 to 5.6.</p>