# Reporting Standard LRS 110.0

# Prescribed Capital Amount

## Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to a life insurance company's prescribed capital amount.

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 and *Prudential Standard LPS 110 Capital Adequacy*.

### 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.

## Transition

17. 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 in the determination making this Reporting Standard (being the reporting standard which this Reporting Standard replaces); and

***transitional reporting period*** means a reporting period under the old reporting standard:

(a) which ended before 1 July 2023; 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

18. 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.

19. 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 110.0

# Prescribed Capital Amount

## 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.

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| ***Adjustments to prescribed capital amount as approved by APRA*** | These are adjustments made to a fund's ***prescribed capital amount*** if APRA is of the view that the Standard Method for calculating the ***prescribed capital amount*** does not produce an appropriate outcome in respect of a fund, or if a life company has used inappropriate judgement or estimation in calculating the ***prescribed capital amount*** for that fund.<br><br>Approved adjustments are to be reported separately in Table 1 of *Reporting Standard 111.0 Adjustments and Exclusions* (LRS 111.0) highlighting the description of the adjustment, transitional status and amount of adjustment applied. |
| ***Aggregate risk charge for variable annuities*** | This amount is the aggregate risk charge for variable annuity business that relates to asset and insurance risks, after allowance for diversification.<br><br>This must be determined in accordance with the prescribed approach set out in *Prudential Standard LPS 110 Capital Adequacy* (LPS 110). |
| ***Aggregation benefit*** | The ***aggregation benefit*** relates to the recognition of diversification benefits between asset and insurance risks for life business other than variable annuities.<br><br>This must be calculated in accordance with the prescribed formula in LPS 110. |
| ***Asset Concentration Risk Charge*** | The ***Asset Concentration Risk Charge*** is the minimum amount of capital required to be held against asset concentration risks. The ***Asset Concentration Risk Charge*** 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. |

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| | This must be determined in accordance with *Prudential Standard LPS 117 Capital Adequacy: Asset Concentration Risk Charge* (LPS 117). |
| ***Asset Risk Charge*** | The ***Asset Risk Charge*** is the minimum amount of capital required to be held against asset risks. The ***Asset Risk Charge*** relates to the risk of adverse movements in the value of the fund's capital base due to credit or market risks.<br><br>This must be determined in accordance with *Prudential Standard LPS 114 Capital Adequacy: Asset Risk Charge* (LPS 114). |
| ***Asset Risk Charge - aggregated risk charge component*** | A life company must calculate, for each of its funds, the ***risk charge components*** defined in LPS 114 by considering the impact on the capital base of the fund of a range of stresses. These ***risk charge components*** are then aggregated using the formula set out in LPS 114. The result of applying the formula is defined as the ***Asset Risk Charge - aggregated risk charge component***. |
| ***Asset Risk Charge - impact of diversification*** | The ***Asset Risk Charge - impact of diversification*** relates to the recognition of diversification benefits between the asset risk charge components as set out in LPS 114.<br><br>This must be calculated as the sum of the ***risk charge components*** less the ***Asset Risk Charge - aggregated risk charge component***. |

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| ***Combined Stress Scenario Adjustment*** | This Combined Stress Scenario tests whether the tax benefits recognised in determining the ***Insurance Risk Charge*** and the ***Asset Risk Charge*** can be offset against deferred tax liabilities. It also tests whether any future management actions allowed for in the calculation of the ***Insurance Risk Charge*** and the ***Asset Risk Charge*** would be achievable. This item also recognises any second order interactions between the asset and insurance risk stresses.<br><br>This adjustment must be determined in accordance with LPS 110. |

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| ***Insurance Risk Charge*** | The ***Insurance Risk Charge*** is the minimum amount of capital required to be held against insurance risks. The ***Insurance Risk Charge*** relates to the risk of adverse impacts due to movements in future mortality, morbidity, longevity, servicing expenses and lapses.<br><br>This must be determined in accordance with *Prudential Standard LPS 115 Capital Adequacy: Insurance Risk Charge*. |

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| ***Life company fund*** | This means the type of ***life company fund***. Possible types are:<br>• Statutory fund;<br>• Shareholder fund;<br>• Benefit fund; and<br>• Management fund. |

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| ***Operational Risk Charge*** | The ***Operational Risk Charge*** is the minimum amount of capital required to be held against operational risks. The ***Operational Risk Charge*** relates to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.<br><br>This must be determined in accordance with *Prudential Standard LPS 118 Capital Adequacy: Operational Risk Charge* (LPS 118). |
| ***Operational Risk Charge for investment-linked business (ORCI)*** | This is the ***Operational Risk Charge*** relating to the fund's investment-linked business.<br><br>The ***ORCI*** must be calculated in accordance with LPS 118. |
| ***Operational Risk Charge for other business (ORCO)*** | This is the ***Operational Risk Charge*** relating to the fund's businesses other than risk and investment-linked business.<br><br>The ***ORCO*** must be calculated in accordance with LPS 118. |
| ***Operational Risk Charge for risk business (ORCR)*** | This is the ***Operational Risk Charge*** relating to the fund's risk business.<br><br>The ***ORCR*** must be calculated in accordance with LPS 118. |

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| ***Prescribed capital amount*** | The ***prescribed capital amount*** for the fund is calculated as the sum of:<br>• ***Asset Risk Charge***;<br>• ***Insurance Risk Charge***;<br>• ***Aggregate risk charge for variable annuities***;<br>• ***Asset Concentration Risk Charge***;<br>• ***Operational Risk Charge***;<br>• ***Combined Stress Scenario Adjustment***; and<br>• ***Adjustments to prescribed capital amount as approved by APRA***<br><br>less:<br>• ***Aggregation benefit***. |

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| ***Risk charge components*** | The risk charge components, as set out in LPS 114, are calculated by determining the fall in the capital base of the regulated institution in seven stress tests. |

# Specific Instructions

## Table 1: Prescribed Capital Amount (Individual Funds)

### Reporting basis

This table applies to life companies including friendly societies. Data must be submitted at the level of each individual fund.

Report all information as at the reporting date.

### Units of measurement

This values in this table must be completed in whole Australian dollars.

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| **Column 1** | Report the value for each of the items listed below. |

### 1. Asset Risk Charge

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| **Item 1** | Report ***Asset Risk Charge***. |
| **Item 1.1** | Report ***Asset Risk Charge - impact of diversification***.<br><br>Report this item as a positive number. |
| **Item 1.2** | Report ***Asset Risk Charge - aggregated risk charge component***. |

### 2. Insurance Risk Charge

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| **Item 2** | Report ***Insurance Risk Charge***. |

### 3. Aggregate risk charge for variable annuities

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| **Item 3** | Report ***aggregate risk charge for variable annuities***. |

### 4. Asset Concentration Risk Charge

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| **Item 4** | Report ***Asset Concentration Risk Charge***. |

### 5. Operational Risk Charge

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| **Item 5** | Report ***Operational Risk Charge.*** |
| **Item 5.1** | Report ***Operational Risk Charge for risk business (ORCR)***. |
| **Item 5.2** | Report ***Operational Risk Charge for investment-linked business (ORCI)***. |

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| **Item 5.3** | Report ***Operational Risk Charge for other business (ORCO)***. |

## 6. Aggregation benefit

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| **Item 6** | Report ***aggregation benefit***.<br><br>An aggregation benefit which would result in a decrease to ***prescribed capital amount*** should be reported as a positive value. |

## 7. Combined Stress Scenario Adjustment

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| **Item 7** | Report ***Combined Stress Scenario Adjustment***. |

## 8. Adjustments to prescribed capital amount as approved by APRA

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| **Item 8** | Report the value of any ***adjustments to the prescribed capital amount as approved by APRA***.<br><br>Report adjustments that would result in an increase to ***prescribed capital amount*** as a positive value. |

## 9. Prescribed capital amount

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| **Item 9** | ***Prescribed capital amount*** is a derived item and is calculated as the sum of:<br><br>• Item 1;<br>• Item 2;<br>• Item 3;<br>• Item 4;<br>• Item 5;<br>• Item 7; and<br>• Item 8<br><br>less:<br><br>• Item 6. |

## Table 2: Prescribed Capital Amount (Life Company)

### Reporting basis

This table applies to life companies including friendly societies. Data must be submitted at the level of the life company.

Report all information as at the reporting date.

### Units of measurement

This values in this table must be completed in whole Australian dollars.

| | |
|---|---|
| **Column 1** | Report the value for each of the items listed below. |

### 1. Asset Risk Charge

| | |
|---|---|
| **Item 1** | Report ***Asset Risk Charge***. |

### 2. Insurance Risk Charge

| | |
|---|---|
| **Item 2** | Report ***Insurance Risk Charge***. |

### 3. Aggregate risk charge for variable annuities

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|---|---|
| **Item 3** | Report ***aggregate risk charge for variable annuities***. |

### 4. Asset Concentration Risk Charge

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|---|---|
| **Item 4** | Report ***Asset Concentration Risk Charge***. |

### 5. Operational Risk Charge

| | |
|---|---|
| **Item 5** | Report ***Operational Risk Charge.*** |

### 6. Aggregation benefit

| | |
|---|---|
| **Item 6** | Report ***aggregation benefit***.<br><br>An aggregation benefit which would result in a decrease to ***prescribed capital amount*** should be reported as a positive value. |

### 7. Combined Stress Scenario Adjustment

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|---|---|
| **Item 7** | Report ***Combined Stress Scenario Adjustment***. |

### 8. Adjustments to prescribed capital amount as approved by APRA

| | |
|---|---|
| **Item 8** | Report the value of any ***adjustments to the prescribed capital amount as approved by APRA***.<br><br>Report adjustments that would result in an increase to ***prescribed capital amount*** as a positive value. |

### 9. Prescribed capital amount

| | |
|---|---|
| **Item 9** | ***Prescribed capital amount*** is a derived item and is calculated as the sum of:<br><br>• Item 1;<br>• Item 2;<br>• Item 3;<br>• Item 4;<br>• Item 5;<br>• Item 7; and<br>• Item 8<br><br>less:<br><br>• Item 6. |