



December 2021

APRA AASB 17 Insurance Contracts (AASB 17) 2021 Quantitative Impact Studies (QIS) – Supplementary instructions to the QIS

Section 1: Important notes for the 2021 QIS

The 2021 QIS package

The following items form part of the QIS package:

- QIS workbooks for the General Insurance, Life Insurance and Private Health Insurance industries.
- Draft reporting standards for the General Insurance, Life Insurance and Private Health Insurance industries.
- This 'supplementary instructions to the QIS' document.

The QIS workbooks are to be read in conjunction with and completed as per:

- the associated draft prudential standards (where relevant),
- the associated draft reporting standards (where relevant),
- the Response Paper, and
- This 'supplementary instructions to the QIS' document.

A list of QIS workbooks and associated draft reporting standards by industry is provided in Appendix C.

Explanation of the difference between accounting equity and capital base

If the accounting equity as at the end of the QIS reporting period is lower than the capital base (i.e. CET 1 capital) reported under the QIS, APRA requests that all affected insurers provide reconciliation data explaining the difference in the response letter to the QIS.

The reconciliation data should explain the key drivers of the difference between AASB 17 insurance liabilities (net of reinsurance and insurance assets) and APRA liabilities (i.e. GPS 340 / LPS 340 / HPS 340 liabilities calculated to determine the capital base). Insurers may present the movement in liabilities and the corresponding movements in accounting equity using tables and waterfall charts. Supporting qualitative information for the reconciliation may also be provided.

For life companies, assessment of the levels of accounting equity and capital base and the reconciliation should be performed at a statutory fund / benefit fund level.

Explanation of the difference between the capital base reported under QIS and D2A

If the capital base calculated after applying the proposed regulatory adjustments for the QIS is not the same as the capital base reported under D2A, APRA requests that general insurers and life companies provide reconciliation data explaining the difference in the response letter to the QIS. Insurers may use tables, waterfall charts and qualitative information to provide the reconciliation.

For life companies, assessment of the levels of the QIS capital base and the D2A capital base and the reconciliation should be performed at a statutory fund / benefit fund level.

APRA notes that it would be uncommon to have a significant difference between the D2A and QIS capital base numbers because the proposed regulatory adjustments are aimed to achieve capital base neutrality.

Section 2: Questions relating to the QIS process

Item 1	<p>What is APRA's expectation on participation in the 2021 QIS?</p> <p>Whilst not proposing to make participation mandatory, APRA would strongly encourage insurers (including those who participated in the 2020 QIS) to participate in the 2021 QIS. Participation in the 2021 QIS would be beneficial for insurers in terms of assessing their own preparedness to adopt AASB 17. The data received will help APRA to develop the final insurance standards for release in Q3 2022 (commencing on 1 July 2023).</p>
Item 2	<p>Who needs to sign off the QIS data before submission?</p> <p>The Chief Financial Officer and the Appointed Actuary will need to have oversight over the process for producing the QIS data and sign off the QIS workbooks and response letter to APRA. The QIS workbooks will not need to be audited by an external auditor because the QIS is on a best endeavours basis.</p>
Item 3	<p>Would APRA accept a subsequent QIS resubmission if insurers later find that they have made errors?</p> <p>Yes. APRA would accept the resubmission if the errors are material. Please contact APRA prior to resubmitting to discuss the preferred approach.</p>
Item 4	<p>Does APRA expect a response letter from insurers? What should insurers include in the response letter?</p> <p>APRA expects that insurers submit response letters with the QIS workbooks.</p> <p>The response letter is expected to include:</p> <ul style="list-style-type: none"> • Reconciliation data explaining the difference between: (i) accounting equity and capital base; and (ii) the capital base reported under the QIS and D2A (refer to Section 1 above); • 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 (refer to item 9 of Section 3); • Life insurers' approach to the valuation of policy liabilities and profit determination of participating business for both Life Act and AASB 17 reporting (refer to the participating QIS instructions sent to participating business writers separately); • Allocation approaches and allocation drivers (refer to item 4 of Section 3); and • Tax assumptions (refer to item 5 of Section 3).

	<p>The response letter may also include an explanation:</p> <ul style="list-style-type: none"> • Of differences between AASB 17 and the existing accounting numbers; • Relating to distinct investment components (accounted for under AASB 9 <i>Financial Instruments</i>) (refer to item 6 of Section 3); and • Relating to assets for insurance acquisition cash flows underlying reinsurance contracts that have a material impact on the reinsurance arrangements (refer to item 10 of Section 3).
Item 5	<p>How will APRA engage with insurers post submission of the QIS workbooks?</p> <p>APRA will engage with insurers as needed to understand issues around the QIS submission. APRA will provide feedback once it completes its analysis.</p>
Item 6	<p>Can insurers use the 2021 QIS as a basis for preparing for AASB 17 implementation?</p> <p>Yes. The information collected in the 2021 QIS represents the majority of the reporting standards that are most impacted due to AASB 17. These reporting standards are in a fairly advanced stage in terms of their development and could be considered as a stable platform by insurers for undertaking system development. The AASB 17 financial statements for APRA are aligned with the reporting requirements in the Australian Accounting Standards.</p>
Item 7	<p>Will QIS submissions be via Excel workbooks or via D2A?</p> <p>The 2021 QIS submissions will be in the format of Excel workbooks. Completed QIS workbooks should be provided to APRA by 31 March 2022. APRA will provide details on the method of submission early in the new year.</p>
Item 8	<p>Is the QIS 2021 submission on Level 1 and/or Level 2 reporting basis?</p> <p>The 2021 QIS is on a Level 1 reporting basis only. Level 2 groups and NOHCs are not required to complete the QIS. Each individual Level 1 entity that is part of a Level 2 group will be requested to complete the Full 2021 QIS (i.e. each Level 1 entity would submit a separate QIS workbook).</p>
Item 9	<p>What if the 31st March 2022 deadline for submissions of the QIS cannot be met?</p> <p>APRA is working to a tight deadline in terms of finalising the AASB 17 package for Q3 2022. Hence, APRA requests that insurers meet the 31st deadline. APRA will only consider extensions with limited timeframes in exceptional circumstances.</p>

Section 3: Questions relating to technical details of the QIS workbooks

Item 1	<p>Do insurers need to provide a transition balance sheet at the beginning of the QIS reporting year?</p> <p>No. A transitional balance sheet at the beginning of the QIS reporting year is not required. The QIS workbook asks insurers to provide data on the impact on retained earnings upon transition on a best endeavours basis.</p>
Item 2	<p>Should insurers remove additional provisions made due to Covid-19?</p> <p>No. Please reflect the Covid-19 provisions made. APRA intends to compare the QIS numbers with the existing accounting numbers. Hence, APRA needs to have the same basis for comparison purposes.</p>
Item 3	<p>Should insurers assume that AASB 9 is also in effect?</p> <p>Yes.</p>
Item 4	<p>Does APRA expect insurers to provide any documentation on allocation approaches applied to APRA product group reporting? Is APRA going to provide additional guidance on allocation principles for APRA product group reporting?</p> <p>Insurers are required to apply the allocation principles to complete AASB 17 income statement and liability data by APRA product classes / APRA product groups. APRA expects that the insurers document their allocation approaches applied (which would reference the allocation principles outlined by APRA) when submitting APRA product group data.</p> <p>APRA welcomes any feedback which would improve the allocation principles.</p> <p>Note that the allocation principles will be outlined in GRS 001 and LRS 001 but these reporting standards will be released for consultation next year. As such, insurers are to refer to the allocation principles outlined in the response paper.</p>
Item 5	<p>Given the ATO has not finalised its position, what should be the basis used to compute the current and deferred tax impacts for the QIS?</p> <p>For the QIS, please report the current and deferred tax impact based on your assumptions. Also, please outline the tax assumptions made for the QIS in the response letter to APRA.</p>
Item 6	<p>Removal of investment components could potentially influence P/L items significantly. Does APRA want to separately collect investment components removed?</p> <p>The 2021 QIS forms do not have specific line items to collect information on distinct investment components (measured under AASB 9). If insurers would like to provide additional information on distinct investment components to assist APRA's understanding of the data included in the QIS, they can include this in the response letter.</p>

	The Reporting Form Liability Roll Forwards currently collects data on the non-distinct investment component (measured under AASB 17 but excluded from insurance revenue and insurance service expense).
Item 7	<p>Does APRA intend to collect reinsurance and insurance business separately?</p> <p>Yes. APRA views that this is important information for supervisors in making their risk assessment.</p>
Item 8	<p>Do life insurers need to have a separate tab for each SF? Will this represent the new reporting basis for APRA Connect reporting?</p> <p>This depends on the QIS workbook. A number of capital QIS workbooks are in closed table format and for these workbooks, APRA has built a macro function which allows insurers to create a new tab for each SF. For the other capital QIS workbooks, insurers are required to fill in SF data in a table so there is no need to create a separate tab. For the accounting QIS workbook, insurers need to manually create a separate tab for each SF.</p> <p>The QIS workbooks will form the new reporting basis for APRA Connect reporting.</p>
Item 9	<p>Some insurers are planning to exit certain reinsurance arrangements or run-off certain blocks of business before the AASB 17 implementation date so the insurers are not planning to do a respective IFRS 17 analysis. Does APRA expect that these are included?</p> <p>No. Insurers can exclude such arrangements for the QIS. Any explanation on the impact of excluding the arrangements on the QIS numbers (in your response letter) would be welcomed.</p>
Item 10	<p>Has APRA determined its reporting position in respect of IACF asset item underlying reinsurance contracts?</p> <p>APRA views that this is an area of interpretation and is evolving. If insurers believe that this asset has a material impact on the reinsurance arrangements, please make this clear in the submission to APRA and set out the basis used when preparing the QIS. Once the reporting position on this issue is confirmed, APRA will reflect the confirmed reporting position in the final reporting forms.</p>
Item 11	<p>Would APRA continue to collect other items such as policy count, gross written premium and fire service levies under the revised reporting framework?</p> <p>Yes, this information will be collected in supplementary data collections, for example, the new draft Reporting Standard GRS 600.0 <i>Supplementary Capital Data - : Premiums, Claims and Expenses</i>.</p> <p>Refer to the Response Paper on pages 34 to 35, section 3.3.4 'Reporting direction for supplementary data collection', for more information.</p>
Item 12	What is the effective date of the AASB references relating to AASB 17 requirements in the reporting standards?

	<p>The AASB references relating to the requirements in AASB 17 <i>Insurance Contracts</i> are effective from 1 January 2023. Also any consequential amendments made to other AASB standards will apply in conjunction with AASB 17.</p>
Item 13	<p>For life insurers, APRA proposed a new set of product groups. Where are they defined?</p> <p>APRA will define new product groups in <i>LRS 001 Reporting Requirements</i> (LRS 001) but LRS 001 will be released for consultation next year. As such, APRA has included the definitions of new product groups in Appendix A of this document.</p>
Item 14	<p>Life insurers need to complete the life company fund identifier workbook. Where is the instruction for this workbook?</p> <p>APRA has attached the instruction for the life company fund identifier workbook in Appendix B.</p>
Item 15	<p>What reporting period should insurers use to complete the QIS?</p> <p>APRA's preference is that insurers use the 2021 full financial year end for completing the QIS. For insurers with a 31 December balance date, the 2020 full financial year end may be used.</p>

Appendix A - APRA product groups

Life insurers

Product Group	Definition
L1 - Conventional	Includes whole of life policies and endowment policies.
L2 - Annuity with longevity risk	Annuities providing periodic payments that are dependent on the continuance of human life.
L3 - Individual death - stepped premium	Death benefit within policies issued on an individual basis with stepped premium.
L3_1 - Individual lump sum risk - stepped premium	Lump sum benefit within policies issued on an individual basis with stepped premium. Lump sum includes death, TPD and trauma benefits.
L4 - Individual total and permanent disability - stepped premium	TPD benefit within policies issued on an individual basis with stepped premium.
L5 - Individual trauma - stepped premium	Trauma benefit within policies issued on an individual basis with stepped premium
L6 - Individual disability income insurance - stepped premium	Disability income insurance benefits issued on an individual basis with stepped premium.
L7 - Individual death - other	Death benefit within policies issued on an individual basis with non-stepped premium.
L7_1 - Individual lump sum risk - other	Lump sum benefit within policies issued on an individual basis with non-stepped premium. Lump sum includes death, TPD and trauma benefits.
L8 - Individual total and permanent disability - other	TPD benefit within policies issued on an individual basis with non-stepped premium.
L9 - Individual trauma - other	Trauma benefit within policies issued on an individual basis with non-stepped premium.
L10 - Individual disability income insurance - other	Disability income insurance policies issued on an individual basis with non-stepped premium.
L11 - Group death	Death benefit within policies issued on a group (wholesale) basis.

Product Group	Definition
L11_1 - Group lump sum risk	Lump sum benefit within policies issued on a group (wholesale) basis. Lump sum include death, TPD and trauma.
L12 - Group total and permanent disability	TPD benefit within policies issued on a group (wholesale) basis.
L13 - Group trauma	Trauma benefit within policies issued on a group (wholesale) basis.
L14 - Group disability income insurance	Disability income insurance benefits issued on a group (wholesale) basis.
L15 - Investment linked	Investment linked policies where policy benefits are associated with the performance of the supporting assets.
L16 - Investment policy with discretionary additions	Investment account business within the meaning of section 14 of the Life Insurance Act 1995.
L17 - Other investment policy	Includes all other investment products not specifically categorised in L15 and L16.
L18 - Annuity without longevity risk	Annuities providing periodic payments that are not dependent on the continuance of human life.
L19 - Other	Includes all other policies not specifically categories above. However, do not use this product group unless APRA has been consulted beforehand.

Refer to Reporting Standard LRS 750.0 Claims and Disputes (LRS 750.0) for the definitions of Death, Total and Permanent Disability (TPD), Trauma and Disability Income Insurance (DII).

Refer to LRS 750.0 for the definitions of Group and Individual.

Stepped premium policies are the policies where premiums increase each year according to risk factors (i.e. age). Other individual policies are the individual policies that are not stepped premium policies (e.g. level premium policies and hybrid stepped premium policies). For a reinsurer, determination of whether the premium structure of a reinsurance contract issued is stepped or non-stepped should be based on the premium structure of the treaty, and not based on the premium structure of the underlying risks written by the cedants.

Friendly societies

Product Group	Definition
F1 - Education	
F2 - Investment account	As defined in section 14 of the Life Insurance Act 1995.
F3 - Annuity and superannuation	
F4 - Defined benefit risk	All products classified as defined benefit, including defined benefit funeral products
F5 - Capital guaranteed defined contribution funeral	Capital guaranteed funeral products that are classified as Defined Contribution.
F6 - Investment linked	As defined in section 14 of the Life Insurance Act 1995.
F7 - Unallocated benefit fund reserve	Value of benefit funds which has not been allocated to either the benefit fund members or to management fund.
F8 - Members capital and retained profits	Members' capital and retained profits allocated to members.

Appendix B - Life Company Fund Identifier

Each life company must complete the Excel template Life Company Fund Identifier. This table collects data relating to the reporting entity and associated funds which will be used in conjunction with the data collected in the QIS.

Definitions

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

<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 • Benefit fund • Shareholder fund • Management fund
<i>Life company fund sub-type</i>	<p>This means the sub-type of <i>life company fund</i>. Possible types are:</p> <ul style="list-style-type: none"> • Specialist reinsurer • Non-specialist reinsurer • Defined benefit (DB) - Surplus to members only • Defined benefit (DB) - Surplus to management fund only • Defined benefit (DB) - Surplus to members or management fund • Defined contribution (DC) - Surplus to members only • Defined contribution (DC) - Surplus to management fund only • Defined contribution (DC) - Surplus to members or management fund

Specific instructions

Product Group	Valid Values	Description
Life Company Fund Type	<ul style="list-style-type: none"> • Statutory fund • Benefit fund • Shareholder fund • Management fund 	Report <i>life company fund</i> .
Life Company Fund Sub-Type	<ul style="list-style-type: none"> • Specialist reinsurer 	Report <i>life company fund sub-type</i> .

Product Group	Valid Values	Description
	<ul style="list-style-type: none"> • Non-specialist reinsurer • Defined benefit (DB) - Surplus to members only • Defined benefit (DB) - Surplus to management fund only • Defined benefit (DB) - Surplus to members or management fund • Defined contribution (DC) - Surplus to members only • Defined contribution (DC) - Surplus to management fund only • Defined contribution (DC) - Surplus to members or management fund • Not applicable 	
Life Company Fund Name	Free text	Report the name of <i>life company fund</i> .

Appendix C - List of QIS workbooks and associated draft reporting standards by industry

All general insurers are strongly encouraged to complete all of the workbooks associated with the QIS as per the following table.

Note: Level 2 insurance groups are not required to completed the QIS.

GI QIS workbook name	Draft reporting standard
GRS 110.1 - Prescribed Capital Amount	GRS 110.1 - Prescribed Capital Amount - DRAFT
GRS 111.0 - Adjustments and Exclusions	GRS 111.0 - Adjustments and Exclusions - DRAFT*
GRS 112.0 - Determination of Capital Base	GRS 112.0 - Determination of Capital Base - DRAFT
GRS 114.0 - Asset Risk Charge	GRS 114.0 - Asset Risk Charge - DRAFT
GRS 115.0 - Outstanding Claims Liabilities - Insurance Risk Charge	GRS 115.0 - Outstanding Claims Liabilities - Insurance Risk Charge - DRAFT
GRS 115.1 - Premiums Liabilities - Insurance Risk Charge	GRS 115.1 - Premiums Liabilities - Insurance Risk Charge - DRAFT
GRS 117.0 - Asset Concentration Risk Charge	GRS 117.0 - Asset Concentration Risk Charge - DRAFT
GRS 118.0 - Operational Risk Charge	GRS 118.0 - Operational Risk Charge - DRAFT
GRS 300.0s - All Financial Statements	GRS 300.0 - Statement of Financial Position - DRAFT
	GRS 310.0 - Statement of Profit or Loss and Other Comprehensive Income - DRAFT
	GRS 311.0 - Statement of Profit or Loss and Other Comprehensive Income by Product Group - DRAFT
	GRS 320.0 - Liability Roll Forwards - DRAFT
GI QIS Specific Summary Information	N/A - Qualitative questions and summary information on Capital and Earnings are collected for QIS purposes only
GRS 400.0 - Statement of Risk by Country	GRS 400.0 - Statement of Risk by Country - DRAFT
GRS 410.0 - Movement in Outstanding Claims Liabilities	GRS 410.0 - Movement in Outstanding Claims Liabilities - DRAFT
GRS 420.0 - IR and ISE by State and Territory of Australia	GRS 420.0 - IR and ISE by State and Territory of Australia - DRAFT
GRS 440.0 - Claims Development Table	GRS 440.0 - Claims Development Table - DRAFT
GRS 600.0 - Supplementary Capital Data – Premiums, Revenue and Reinsurance Expense	GRS 600.0 - Supplementary Capital Data - Premiums, Claims and Expenses - DRAFT**

Notes: * APRA approved adjustments relating to PCA and risk charges

** New form, for capital metric purposes. Related to metric information collected in D2A from GRS 310.1, 310.2 and 310.3

All life insurers and friendly societies are strongly encouraged to complete all the workbooks associated with the QIS as per the following table.

Note: Life insurers with participating business are to also complete an additional participating QIS workbook, which will be distributed separately.

LI QIS workbook name	Draft reporting Standard	Life insurers or friendly societies	Fund or life company
Life Company Fund Identifier	N/A	Both	Both
LRS 110.0 - Prescribed Capital Amount	LRS 110.0 - Prescribed Capital Amount - DRAFT	Both	Both
LRS 111.0 - Adjustments and Exclusions	LRS 111.0 - Adjustments and Exclusions - DRAFT	Both	Fund only
LRS 112.0 - Determination of Capital Base	LRS 112.0 - Determination of Capital Base - DRAFT	Both	Both
LRS 114.0 - Asset Risk Charge	LRS 114.0 - Asset Risk Charge - DRAFT	Both	Fund only
LRS 114.5 - Friendly Society Related Items	LRS 114.5 - Friendly Society Related Items - DRAFT	Friendly societies	Fund only
LRS 115.0 - Insurance Risk Charge	LRS 115.0 - Insurance Risk Charge - DRAFT	Both	Fund only
LRS 118.0 - Operational Risk Charge	LRS 118.0 - Operational Risk Charge - DRAFT	Both	Fund only
LRS 200.0 - Capital Adequacy Supplementary Information	LRS 200.0 - Capital Adequacy Supplementary Information - DRAFT	Both**	Fund only
LRS 300.0s - All Financial Statements	LRS 300.0 - Statement of Financial Position - DRAFT	Both	Both
	LRS 310.0 - Statement of Profit or Loss and Other Comprehensive Income - DRAFT	Both	Both
	LRS 311.0 - Statement of Profit or Loss and Other Comprehensive Income by Product Group - DRAFT	Life insurers only	Fund only
	LRS 320.0 - Liability Roll Forwards - DRAFT	Both	Both
LI QIS Specific Summary Information	N/A - Qualitative questions and summary information on Capital and Earnings are collected for QIS purposes only	Both	Life company only
LRS 340.2 - Retained Profits and Share Capital	LRS 340.2 - Retained Profits and Share Capital - DRAFT	Both	Life company only

LI QIS workbook name	Draft reporting Standard	Life insurers or friendly societies	Fund or life company
LRS 400.0 - Statement of Policy Liabilities	LRS 400.0 - Statement of Policy Liabilities – DRAFT	Both	Fund only
LRS 420.0 - Assets Backing Policy Liabilities	LRS 420.0 - Asset Backing Policy Liabilities - DRAFT	Life insurers only	Fund only
Separate QIS workbook for participating business*	Separate QIS instruction for participating business	Life insurers only	Fund only

Notes: * Workbook will be sent separately only for Participating business writers to complete
 ** Friendly Societies are only required to report F4 - Defined Benefit Risk only.

All private health insurers are strongly encouraged to complete all the workbooks associated with the QIS as per the following table.

PHI QIS workbook name	Draft reporting standard
HRS 110.0 - Prescribed Capital Amount	HRS 110.0 - Prescribed Capital Amount - DRAFT
HRS 111.0 - Adjustments and Exclusions	HRS 111.0 - Adjustments and Exclusions - DRAFT
HRS 112.0 - Determination of Capital Base	HRS 112.0 - Determination of Capital Base - DRAFT*
HRS 114.0 - Asset Risk Charge	HRS 114.0 - Asset Risk Charge - DRAFT
HRS 115.0 - Insurance Risk Charge	HRS 115.0 - Insurance Risk Charge - DRAFT**
HRS 117.0 - Asset Concentration Risk Charge	HRS 117.0 - Asset Concentration Risk Charge - DRAFT
HRS 118.0 - Operational Risk Charge	HRS 118.0 - Operational Risk Charge - DRAFT
HRS 300.0s - All Financial Statements	HRS 300.0 - Statement of Financial Position - DRAFT
	HRS 310.0 - Statement of Profit or Loss and OCI - DRAFT
	HRS 320.0 - Liability Roll Forwards – DRAFT
PHI QIS Specific Summary Information	N/A - Qualitative questions and summary information on Capital and Earnings are collected for QIS purposes only
PHI HRB Asset Stress Workbook	N/A - collected for QIS purposes only

Notes: * For HRS 112, Table 1 is to be reported for HBF and GF. Table 2 is to be reported for PHI
 ** For HRS 115.0, Table 1, 3, 4, 5, 6, 7 and 9 are to be completed for HBF and GF. Table 2 is to be completed for GF. Table 8 is to be completed for HBF