INSURANCE COUNCIL OF AUSTRALIA

31 March 2021

General Manager, Policy Development
Policy and Advice Division
Australian Prudential Regulation Authority
Level 12, 1 Martin Place
SYDNEY NSW 2000

By email: Insurance.Policy@apra.gov.au

Dear Sir or Madam

Integrating AASB 17 into the capital and reporting framework

The Insurance Council of Australia **(Insurance Council)**[1] welcomes the opportunity to comment on the proposals contained in the APRA *Discussion Paper: Integrating AASB 17 into the capital and reporting frameworks for insurers and updates to the LAGIC framework* (**Discussion Paper**).

The Insurance Council is appreciative of APRA's early engagement on working through the regulatory reporting implications of this upcoming change to the accounting rules by which insurance contracts are recognised, measured and disclosed in the financial statements of general insurers. The transition program to accounting for insurance contracts under AASB 17 is a significant work stream for all our members.

The scale of this financial reporting change is reflected in the scope of the Discussion Paper which contains 31 different proposals and 27 separate questions across three categories: the capital framework; the reporting framework; and the Life and General Insurance Capital (LAGIC) framework.

In order to engage effectively in this consultation, given the Discussion Paper's breadth and depth, the Insurance Council developed a template itemising each of the 58 matters to be consulted on and which it circulated to members. This exercise yielded 473 separate data points, or viewpoints, which the Insurance Council then reviewed to gauge the level of concern held by members with regard to each of the particular matters.

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[1]The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent approximately 95 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

December 2020 Australian Prudential Regulation Authority statistics show that the general insurance industry generates gross written premium of $53.2 billion per year and has total assets of $143.6 billion. The industry employs approximately 60,000 people and on average pays out $187.2 million in claims each working day ($47.2 billion per year). Over the 12 months to the end of December 2020 the industry's net profit after tax (NPAT) was $35 million - a 98.9 per cent decrease from the prior year's NPAT of $3.1 billion. The industry's underwriting result was -$78 million, falling sharply from $2.3 billion in the prior year.

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It is not possible to synthesise a single reason why members regard a matter as one of high concern, or conversely of low importance. It may be the case that a member, some or indeed all members, agree or disagree with APRA's approach as a matter of principle; or are concerned, or not, as to the likely level of compliance burden to be imposed; or require more information in order to form a view; or have not turned their mind to the issue given that the matter is not relevant to their business. The latter situation was commonly the case in relation to possible issues relating to multi-year quota reinsurance related matters.

We therefore do not provide an executive summary of member views. Instead, please see the attached six appendices in which we communicate member views in relation to each of the matters relating to:

- APRA Capital Reporting – APRA Proposals (Appendix 1);
- APRA Capital Reporting – APRA Consultation Questions (Appendix 2);
- APRA Reporting Framework – APRA Reporting Proposals (Appendix 3);
- APRA Reporting Framework – APRA Consultation Questions (Appendix 4);
- APRA LAGIC Framework – APRA Reporting Proposal (Appendix 5); and
- APRA LAGIC Framework – APRA Consultations Questions (Appendix 6)

Typically, the level of concern held by members in regard to a matter will be communicated in the initial sentence of the first paragraph under the matter heading. Where there is a diversity of opinions held by members this too will be communicated, including examples of the range of opinions so as to assist APRA with its work in updating the existing frameworks.

We appreciate that this project is a significant task for both APRA and our members. If it would assist, the Insurance Council would be willing to facilitate a meeting between APRA and our members to discuss the issues raised in this submission and to canvass the relative merits of possible solutions.

We trust that our observations are of assistance. If you have any questions or comments in relation to our submission please contact me on telephone: [redacted] or email: [redacted].

Yours sincerely

[redacted]

[redacted]
General Manager, Regulatory Affairs

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APPENDIX 1

APRA Capital Reporting – APRA Proposals

Calculation of the capital base

APRA Proposal 1: The liability adjustment is the difference between the GPS 340 liabilities and the aggregate of AASB 17 insurance and reinsurance liabilities (after deducting AASB 17 insurance and reinsurance assets)

Members agree with this proposal on the basis that it retains the current approach (where GPS340 is compared to AASB 1023 balances) and consider that APRA's suggested adjustments should ensure a capital neutral effect (such that industry will be able to maintain a capital level similar to the current level).

However, members are also of the view that this approach is potentially much more complicated than the current approach and that there may be scenarios which APRA has not fully considered and where additional adjustments (in addition to those proposed by APRA in the Discussion Paper) are required to arrive at a capital neutral position. A principles-based approach may be one way to achieve this objective.

Members also recommend that APRA consult with industry actuarial and accounting bodies on this issue. Members consider it important that areas of subjectivity be kept to an absolute minimum, so that the capital standards are as consistent with the accounting standards as possible. In that regard, members note that this proposal is consistent with the aim of avoiding dual accounting (and only accounting under AASB 17, rather than also having to keep AASB 1023 accounting). They suggest that APRA forward plan for a post-implementation review three years after commencement to determine the degree of success in reducing the burden of dual reporting.

APRA Proposal 2: In relation to insurance arrangements that are in place as at reporting date, APRA proposes that general insurers add the following items to Common Equity Tier 1 (CET1) capital when determining the capital base:
- Premiums invoiced but not received;
- Expected premiums due but not invoiced from exposures within the premiums liability projection period; and
- Expected premiums due but not invoiced relating to unclosed business.

Members agree with this proposal which retains the current approach and cannot be effected in isolation from APRA Proposal 1. As a point of clarification members assume that the term "premiums due" refers to premiums invoiced but not received, that is, "premiums receivable". If not, and "premiums due" is to bear some other meaning then that would cause significant operational difficulty for members.

In relation to the three suggested additional items to CET1 members make the following observations:

- *Premiums invoiced but not received* – The member view is that this adjustment appears appropriate given APRA's intent is to make adjustments to AASB17 balances to effectively revert the position back to current accounting and thereby maintain capital levels at a consistent position with current state.

However, clarification is sought as to how this line item interacts with the policy's effective date. If at the time of completing the APRA return the premium invoiced relates to cover within the policy period then it seems appropriate to include those premiums in the report, but if not, then they should not be reported.

Clarification is also sought as to how this item will apply to instalment policies. Is there a requirement to capture receipts for premiums not due on instalments and make any respective adjustment?

- *Expected premiums due but not invoiced from exposures with the premium's liability projection period* – The member view is that this adjustment should be recognised given APRA's intent is to make adjustments to AASB17 balances to effectively revert to current accounting and thereby maintain capital levels at a consistent position with current state.

- *Expected premiums due but not invoiced relating to unclosed business* – The member view is that where there are premiums due by insured but they are not invoiced due to unclosed business, then these should be included in the capital base. If all that has happened is that a quote has been issued and the insured hasn't as yet accepted the policy, then these should not be included.

A further point we draw to APRA's attention is that whether premiums due are included in the insurance liabilities (LRC) under IFRS 17 depends on when premiums are recognised when there are intermediaries between the insurer and customer.

In addition to differences between accounting liabilities and the GPS340, regulatory capital calculation requirements will need to be reflected as regulatory liability adjustments together with some additional CET1 Tier 1 Capital adjustments associated with receivables on insurance and reinsurance arrangements.

APRA Proposal 3: In relation to reinsurance arrangements that are in place as at reporting date, APRA proposes that general insurers deduct the following items from CET1 capital when determining the capital base:
- Reinsurance premiums invoiced but not paid;
- Expected reinsurance premium payables but not invoiced within the premiums liability projection period; and
- Expected reinsurance premium payables but not invoiced relating to unclosed business

Members make similar comments in relation to this proposal as they do in relation to APRA Proposal 2, namely that: it retains the current approach; it cannot be made in isolation from APRA Proposal 1; and should apply on a premiums receivable basis. It is noted that not all members reinsure.

Members make the same comments in relation to the three items to be deducted under APRA Proposal 3 as they do in relation to the three items to be added under APRA Proposal 2.

APRA Proposal 4: APRA proposes that general insurers apply an Asset Risk Charge (ARC) to the receivable components outlined above (to be read in conjunction with the LAGIC update proposal outlined in Chapter 4 of this Discussion Paper)

The majority, but not consensus, member view is that this proposal is a positive suggestion, given APRA's intent to adjust AASB17 balances to effectively revert to current accounting and thereby maintain capital levels at a consistent position with current state. The dissenting view was that in the current economic environment of low to possibly negative interest rates an ARC is not necessary to achieve this outcome.

Other observations made include:

- If the premium is not paid the cover falls away, therefore there is no need for a risk charge on this premium. The capital requirement is already conservative in that it assumes that all the premium settles eg. policies are not cancelled. This is particularly true for multi-year policies paid monthly.
- A need to better understand whether this default stress applies to reinsurers and quota share (QS) arrangements or direct insurance unpaid premiums. Particularly in relation to quota share arrangements when an insurer cedes premium will there be a double counting associated with default risk (one on debtors and the other on the ceded premium which potential reduces the debtors' risk)?
- As discussed in the Discussion Paper where the reinsurance arrangement is a QS arrangement the Asset Risk Charge should be applied to the net balance.

APRA Proposal 5: APRA proposes general insurers continue to recognise the tax benefits arising from the liability adjustment to the extent that there is a deferred tax liability to offset.

Our members agree with this proposal. The suggested approach is consistent with how deferred tax liabilities (DTL) are currently recognised and appears appropriate given APRA's intent that general insurers adjust AASB17 balances to effectively revert to current accounting and thereby maintain capital levels at a consistent position with current state.

Additional comments were:

- The tax effect on a technical surplus should be reduced to the extent there is a Deferred Tax Asset (DTA). Arguably, it should also be reduced to the extent it would not be payable in a 1 in 200 stress event.
- For those insurers where most of their DTL is associated with Deferred Acquisition Costs (DAC) Assets they would like a better understanding of APRA and the ATO's position on the release of a DTL on the transitional arrangements if DAC items are expensed up front.

Calculation of the expense base

APRA Proposal 6: [G]eneral insurers include all expenses other than one-off expenses in the GPS 340 liabilities (whether direct or indirect), not just claims handling expenses and policy administration expenses.

Members strongly, but not universally, disagree with this proposal, although all members who responded agree that this proposal is either important or very important.

As a starting point there appears to be no material differences between GPS 340 and AASB 17 in respect of the 'directly attributable' expenses included in measuring insurance liabilities. Accordingly, this proposal seems to be in direct contradiction to APRA's aim of making changes to match AASB 17 and to avoid duplication of effort. It may also result in increased capital requirements across the industry, which is again contrary to APRA's stated intent.

Further, the impact of this proposal will vary significantly by insurer depending on how much expense a group allocates to an individual insurance company (eg. if the expenses sits outside the insurance company) and to different lines of business. For example, if an insurer allocates more expense to short-tail business their deduction will be much less than an insurer with only long tail business, or predominately long-tail business, even though the 'cost' to run the long-tail business is the same (eg. if the insurer is in run-off). As a result, this proposal will impose a particularly a large impost on insurers with a significant proportion of long-tail business.

The predominant member view is that this expense should be consistent across insurers by class of business (including, for example, if it is to reflect market value of liabilities). Part of the problem is that the premium liability risk charge is already a blunt instrument, which applies the same risk charge to the expenses and claims components. The risk of the claims component is inherently greater from events, systemic, non-systemic and external causes.

Therefore, perhaps a better approach is for APRA to set:

- an expense loader by class of business; or
- different risk charges for maintenance expense vs claim related components of the premium liabilities

so that all insurers are treated equally (as is done for the Risk Capital Factors in the Insurance Risk Charge).

In addition, APRA could consider a simpler approach by requesting expenses by service type, which should ensure an appropriate allocation and understanding of the nature of services that are required to be provided for the duration of policy maintenance and claim fulfilment.

All-in-all, members do not see the case for change presented as being convincing. For example, if there is any inconsistency in the application of current guidance this doesn't have to be addressed by mandating the inclusion of all expenses.

APRA Proposal 7: [G]eneral insurers to reference their prior year total expenditure (excluding one-off expenses) as a starting point.

Most but not all members disagree with the proposal that general insurers should reference their prior year total expenditure as a starting point. All members considered this to be an important to very important issue, noting that APRA Proposal 7 is inconsistent with AASB 17.

Specific comments made by members include:

- The reference point should be budgeted expenditure. The principal limitations in using prior year expenditure as a reference point are:
    - It means cost savings do not result in reduced capital requirements until after they have been achieved.
    - It ignores the impact of business volumes on the cost of servicing each policy.
- Having prior year expenditure as a starting point would result in additional work needing to be performed to get to the current year total expenditure number. It will mean that the movement is required to be calculated on the expenditure items not on the balance.
- Trends of the costs over time and their relationship to the overall size of business are just as important as a dollar total. Accordingly, the proposed starting point (a prior year dollar cost) is not necessarily the most conceptually useful estimation starting point.
- Using expenses 'directly attributable' in making estimates is a more acceptable prior year starting point than 'total expenditure'.
- Referencing prior year expenses as a starting point for determining those for inclusion in the GPS 340 liabilities does not provide a forward-looking view to take into account appropriate changes in the business.
- Recognition that APRA is concerned about what costs the insurer will need to pay to support runoff of claims in the situation where the insurer writes no future business, hence variable costs should not be included. But the solution needs to be principles based and focussed on the expenses related to insurance services for policy maintenance and associated with the payment of claims.

APRA Proposal 8: General insurers may remove allowance for acquisition expense expected to incur in acquiring new customers (i.e. commission or brokerage paid to agents or brokers for obtaining business for the insurer, and selling costs such as advertising).

There was no clear view amongst members as to whether this proposal is a positive suggestion or not.

An initial comment is that it is not clear whether these costs incurred in acquiring new customers are the same as 'acquisition cash flows' under AASB 17. For example, does the category of 'new' customers exclude renewals? Does it mean that the premium liabilities should exclude all expenses that would be saved if an insurer was closed to new business? If so, then APRA's proposed description of acquisition expenses would be much more restrictive, and thus it would make capital requirements excessive.

There is also the risk that the proposal might mean that the insurance risk charge on premium liabilities relates to the risk that the premium liabilities could be greater than as determined under GPS 340.

It was also noted that it will be a business decision as to whether general insurers should account for DAC or expense these items up front. Correlated with that is an understanding of whether the DAC related DTL is released over a staged approach or in one hit.

Another comment was that there is no accounting basis for including future costs of future customer acquisition in a balance sheet date liability, accordingly, allowing for the removal of such costs is imperative.

APRA Proposal 9: APRA is seeking feedback from industry on the types of expenses that insurers believe should be excluded from the calculation and the justification for their exclusion.

Members agree with this proposal that certain types of expenses should be excluded from the calculation and consider it to be an important issue.

Feedback provided includes:

- The "insurance acquisition cashflows" as defined in Appendix A of IFRS 17 should be excluded from the premium liabilities. That is, "Cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio."
- APRA should adopt a reasonable interpretation such that acquisition expenses include:
  - Expenses involved in the selling, underwriting and starting a group of insurance contracts including: PDS production, pricing, sales commissions, sales incentives, legal / professional fees associated with writing new contracts, recording new policies and policyholders, distribution agreements.
  - Allocation of overheads including marketing & brand, depreciation of assets supporting sales, including policy admin system, underwriting engine, customer portal, distribution management and finance & technology costs.
- APRA should adopt a reasonable interpretation such that expenses which are not directly attributable to in-force policies are excluded, including:
  - Depreciation on a building.
  - Rental expense.
  - Marketing expense.
  - Costs related to being listed.
- Other genuine one-off expenses eg. extraordinary items under AASB or expensing of acquisition costs under business combination accounting. Some members were also of the view that this reasonable interpretation which excludes expenses which are not directly attributable to in-force policies are excluded, should also include:
  - Depreciation on a building.
  - Rental expense.
- APRA is working from a "what's excluded" perspective whereas some members would prefer the starting point be a "what's included" perspective.
- As the liabilities reflect their market value the expense loader should be the same for all insurers. It is recommended that a standard factor is applied by class of business.

Risk margin requirements

APRA Proposal 10: APRA proposes general insurers make appropriate allowance for all risks related to the inherent uncertainties of the values of the GPS 340 liabilities. This would include allowance for financial risks (excluding the risk associated with the underlying assets) and operational risks (e.g. model and data risks)

All members agree with this proposal, which as the Discussion Paper notes would not be a change but rather add some additional clarificatory language in GPS340. Member actuarial teams will need to get across the proposed changes to GPS340 and the capture of all risks including financial risks and operational (data and model risks) in the GPS340 liability calculation. Risk Margins will need to capture all risks of uncertainty. For decision making end users will not need a completely new understanding of calculations of Capital Base. One positive of this proposal is that decision making end users will not need to develop a completely new understanding of the Capital Base calculations.

To ensure consistency across the industry we recommend that APRA consider whether it is appropriate to provide specific factors to be applied to net central estimate cash flows in order to determine the desired probability of sufficiency for capital purposes. Members consider that this approach could have merit given that the common starting point under both AASB 17 and the capital framework is the net central estimate cash flows and that this approach would go some way to alleviating the requirement to maintain multiple risk margin/adjustment models.

It is assumed that when APRA refers to "financial risks" it is referring to "economic risks", which are included as a part of the external systemic risk assessment, hence these should be allowed for. For risks associated with actuarial process these are captured in internal systemic risk and which includes an assessment of model, parameter and data risk.

APRA Proposal 11: For Level 1 risk margins, APRA proposes general insurers not assume diversification benefits outside of Level 1 entities.

Most members agree that this proposal retains the current approach and based on the IFRS 17 TRG decision it is an acceptable approach under AASB 17. One member disagreed, but not strongly due to the change in approach not having a material impact, given that it currently allows for diversification between insurance entities within the group. If this diversification were not to be allowed in future it would cause risk margin to increase.

APRA Proposal 12: For Level 2 risk margins, APRA proposes general insurers not assume diversification benefits outside of Level 2 insurance groups

The member view is that this proposal retains the current approach and based on IFRS 17 TRG decision this is an acceptable approach under AASB 17.

APRA Proposal 13: APRA proposes risk margins to be derived from the inherent uncertainties of the values of the GPS 340 liabilities gross and net of reinsurance and non reinsurance recoveries.

Members agree with this proposal. Capital measurement should have a different approach to statutory financial reporting and be focused on a risk margin (i.e. the inherent uncertainty of doing insurance business). An insurer that seeks to be compensated for the inherent

uncertainty in the amount and timing of fulfilment cash flows (under AASB 17) should expect to get the same result as applying AASB 1023, which seems to be APRA's end goal here.

As the Discussion Paper notes this would not be a change but rather adds some additional clarificatory language in GPS340. Member actuarial teams will need to get across the proposed changes to GPS340 in the GPS340 liability calculation. Risk Margins should capture all the risks of uncertainty including financial and operational and applying to both Gross/Net RI and Non RI recoveries. One positive of this proposal is that decision making end users will not need to develop a completely new understanding of the Capital Base calculations.

APRA Proposal 14: Insurers do not need to separately calculate stand-alone risk margins for liabilities rolled forward and new incurred claims during a reporting year (i.e. not requiring the risk margins to be differentiated between the two. General insurers can perform appropriate allocation of the risk margin across the two to report).

Members agree with this proposal which retains the current approach and seems practical and reasonable. Members support setting risk margins for a portfolio as a whole, rather than having to set individual risk margins for each accident year.

[End]

APPENDIX 2

APRA Capital Reporting – APRA Consultation Questions

APRA Question 1: (GI, LI and Friendly societies) Would maintaining the existing regulatory capital and measurement substantially increase regulatory burden?

There was a diversity of member views on this question. In substance, this difference of opinion seems to come down to varying degrees of optimism, or scepticism, as to the manner with which APRA will implement its intent to maintain the existing level of regulatory capital.

The approach which was thought most likely to minimise any increase in regulatory burden on an ongoing basis is for APRA to adopt as much of the AASB 17 accounting treatment as possible and to make the minimum number of adjustments needed to get back to the existing capital amount (if AASB 1023 had continued to be used). It was noted that the APRA Discussion Paper sometimes took this approach, but not consistently.

It was accepted that in the short term there would be an increase in regulatory burden as general insurers transitioned to the new capital reporting framework. However, it was also recognised that the existing capital reporting arrangements require the reporting of adjustments. Therefore, to the extent that the new reporting rules require the substitution of one set of adjustments for another set, the optimists were of the view that there would be no overall on going increase in regulatory burden. The pessimists were very much of the view that the overall result depended on the specific requirements of the new set of adjustments and the relative ease with which these could be calculated.

Accordingly, members again suggest that APRA plan for a post-implementation review three years after commencement to assess the extent of any regulatory burden added.

APRA Question 2: (GI) Are there any types of expenses that should not be included in the expense basis and its justification?

As a starting proposition, members are of the view that **only insurance expenses should be included**, and that any costs which aren't directly attributable to the insurance contracts should be excluded. For example, any expenses which relate to the general insurer being a listed company, product development, training, donations to charities or political parties, or time spent on charity initiatives etc. should be excluded.

There was also agreement that the following expenses should **not** be included in the expense basis:

- expenses that are not directly attributable per AASB 17;
- one-off expenses; and
- expenses that cannot be assigned to an AASB17 product grouping.

Some members also thought the following expenses should similarly **not** be included in the expense basis:

- cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio; and
- insurance acquisition cashflows as defined in Appendix A of IFRS 17.

Member expectation is that the scope of insurance acquisition cashflows to be excluded would include:

- expenses involved in the selling, underwriting and starting a group of insurance contracts including: PDS production, pricing, sales commissions, sales incentives, legal / professional fees associated with writing new contracts, recording new policies and policyholders, distribution agreements; and
- an allocation of overheads including marketing & brand, depreciation of assets supporting sales, including policy admin system, underwriting engine, customer portal, distribution management and finance & technology costs.

APRA Question 3: N/a to General Insurers

APRA Question 4: (GI and LI) How would the new four quarters dividend test affect your entity?

The consensus member view was that the four quarters dividend test would have no impact on general insurers, given:

- an expectation that both positive and negative amounts would be included (so that test does not operate in an asymmetric manner); and
- individual insurers electing under AASB 9 to recognise fair value changes for debt securities through the P&L.

None of the members who responded to our enquiries on this question intended to increase their use of OCI accounting under AASB 17. Accordingly, the four quarters dividend test would have no impact.

[End]

APPENDIX 3

APRA Reporting Framework – APRA Proposals

APRA Proposal 15: Given the inherent differences between the intention and performances of these [D&O insurance and Professional Indemnity Insurance], it is important to split the two groups:

- ***[D&O Insurance to be defined as:] D&O covers directors and officers of a company, and the company itself, for liability in the event of a legal action brought for alleged wrongful acts in their capacity as directors and officers. Cover for legal expense is generally included in this type of policy.***
- ***APRA proposes that the definition of professional indemnity be similarly redefined to no longer include D&O***

There is no uniform member view as to the merits of this proposal, although they tended to regard it as a low priority reform. Some members thought the current level of reporting was appropriate. Others thought it would be beneficial to split out D&O insurance given the prominence given to premium affordability in recent years. Yet others, notably Members who don't provide D&O cover, have no view.

APRA Proposal 16: Cyber Insurance: APRA is currently eliciting views from the industry to help develop the definition of cyber insurance via the National Claims and Policies Database statistics consultation process. Once finalised, APRA will use the same definition in the reporting standard for the product group data collection.

Members have provided feedback to APRA on this proposal as a part of the separate consultation procession including the ICA's written submission of 17 December 2020 and attendance at a meeting with APRA on 27 January 2021.

[End]

APPENDIX 4

APRA Reporting Framework – APRA Consultation Questions

APRA Question 5: (All insurers) What types of challenges would the new product groups bring to your entity, including any transitional challenges?

The level of impact and the extent of challenge posed by the new product groups various across our members depending upon their current systems and, of course, the extent to which they write cyber insurance and D&O insurance. Those insurers who do not write these classes of cover will clearly be unaffected.

Member observations included:

- Recognition that a key challenge will be getting the right level of disclosure, where data is currently retained at the anticipated product level (or portfolio level under AASB 17) but not reported at that level.
- Concern that if product grouping for APRA is different to that for statutory purposes that this will be a clear example of an additional burden on existing resources.
- Meeting this requirement will require some work (eg systems and reports), but that this should be achievable largely using existing systems.

APRA Question 6: (GI) How should APRA define Cyber and Directors & Officers insurance?

Our members note that the purpose of:

- cyber insurance is to protect businesses, and individuals from Internet-based risks, and from risks relating to information technology infrastructure, information privacy and information governance liability; and that of
- D&O Insurance is to protect Directors, Officer holders and companies against legal action for alleged wrongful acts.

That said APRA's proposed definitions seem reasonable to members.

APRA Question 7: (All insurers) Are the allocation principles outlined in this Discussion Paper adequate for reporting of APRA product group data? Are there any ways to make the allocation principles more effective?

Those members which expect to use the allocation principles consider the principles to be reasonable, noting that:

- Re Principle 1 clarification is required that 'profitability of each APRA product group' will be determined on an AASB 17 basis. That is, product group profitability is intended to take into account profitability for annual cohorts (when there are onerous contract groups).

- Re Principle 5 clarification is required that this principle is NOT intended to imply that an insurer applying the premium allocation approach will also have to identify a contractual service margin as if it were applying the general model in AASB 17.
- The second sentence of the first paragraph of section 3.3 in the Discussion Paper is confusing. However, what members assume that APRA is trying to say is that the statutory financials should match the product groups listed by APRA.
- There was some concern amongst members who didn't participate in the initial QIS that all though the principles appear reasonable, gaps may appear when they come to apply the principles to their circumstances.
- APRA should consider preparing an example document to help insurers have confidence that the allocation approach adequately covers all of APRA's allocation principles.
- APRA should consider how Direct and Inwards reinsurance (and any combined product grouping under AASB 17) are to be reported. If they are reported as one combined profitable product group under AASB 17 how will negative profits over time be dealt with? For example, if the Direct reinsurance is profitable, but the Indirect reinsurance isn't.
- There may be challenges in ensuring a consistent allocation of both related balance sheet and profit or loss elements over time, and to identify the most appropriate driver to do so.
- The results from a net P&L result by product group may be spurious where there are mismatches in the contract boundaries between insurance contracts issued and reinsurance contracts held and therefore are required to use differing measurement models.

APRA Questions 8 to 11: N/a to General Insurers

APRA Question 12: (GI and LI) Would the liability data collection approach outlined in the QIS workbook cause significant issues? How can APRA improve its collection of the liability data items to better understand profitability profiles by APRA product groups?

Members have no clear view as to the benefits of the liability data collection approach given that not much detail has as yet been provided as to the additional data required, however they do have a number of clear concerns.

At an operational level, members are concerned that the increase in the level of data required to be provided to APRA through the liability data collection approach will result in additional workload for their actuarial teams. A commonly made comment is that the additional data collection on liabilities would be burdensome and it is not clear what purpose the additional data collected serves, particularly for short tail

business. For example, it will require model adaptions to be able to present LY/LY, LY/TY and TY/TY data points.

Another example given of the burden imposed is that it is not specified if "Item 4.1 IACF component within LRC" of the "Liabilities - GI" form is required for all the groups of contracts or just the one measured under the PAA. If APRA determines this is to be measured on a group basis using the general model, the IACF component within the LRC will be a component of the CSM. Estimating the component of the CSM which relates to IACF will be a significant issue.

Further, one way APRA might seek to understand profitability profiles by APRA product group is to look at the roll forward table by APRA product group. If so, then the provision of this information is likely to be a significantly burdensome ask of companies.

At a more systemic level, members are concerned about the potential for sensitive information being released to competitors and potentially adverse impact this will have on competition in the industry. This concern is a significant and legitimate concern for mono-line lenders and State-based insurers, in particular. The changes with GPS340 liabilities and all expenses being captured will allow strategic positioning to be eroded reducing competition in the market in the long term.

APRA Question 13: (All insurers) Are there any supplementary data collections that insurers deem unnecessary in the AASB 17 environment?

Given the importance to the economy of maintaining a competitive and sustainable insurance industry, members consider than any information which is disclosed at a product level grouping and which has the potential to expose confidential information should be deemed unnecessary.

In addition, and to emphasis the preceding fundamental point members note:

- APRAs proposed requirement to collect information on premium receivables, unearned premium, specified reinsurance items (DRE, RI) and Claims Development tables will require rework and additional effort to replicate with AASB17.
- The Unearned Premium and Deferred Reinsurance Expense items no longer exist and should not be collected.
- The difference between the AASB17 liability (less present value of reinsurance costs and deferred acquisition costs) and the Premium Liability and Outstanding Claims Liability should be sufficient to measure future profitability.
- As a minimum Form GRF_410_0 - movement in outstanding claims liabilities should be revisited. As long as Form GRF_410_0 buckets underwriting years a little differently to the proposed liability roll forward, there is the potential for duplication of information as between the two.

- In all likelihood the entire 400 series forms should be reviewed to ensure that there is no duplication with what the liabilities form is requesting.
- It is not clear how Premium Receivables and UEP are to be determined? Is this to be on an AASB 1023 basis? If yes, then this will in effect require dual reporting for an indefinite period.
- Where the general model measurement approach is adopted this will be more burdensome as this approach is markedly different to the current UEP approach.
- It is queried whether the split of investments between Policyholder and Shareholder funds in Form 114_4 is still required. Whilst the separate portfolios will likely be maintained for operational purposes, this presentation is not a requirement of AASB 17.
- The terminology used in reporting forms generally needs to be refined so as to refer to AASB 17 instead of AASB 1023 items.

[End]

APPENDIX 5

APRA LAGIC Framework – APRA Proposals

APRA Proposal 17: <u>Real interest rates stress test:</u> APRA proposes to alter the calculation of the stress adjustment required for the real interest rate stress by applying a three per cent floor to the nominal risk-free rate before multiplying by the prescribed factors.

Members are supportive of addressing low and negative interest rate, but not necessarily of APRA's proposal how to do so. They recognise that the current test is less than optimal in a low interest environment and likely doesn't achieve the stresses that are required. Further if interest rates were to become negative, this might have negative impacts to capital due to the inverse discounting impacts on OCL which wouldn't be counter-balanced by the effect on assets.

It is noted that there is already a cap and floor on the real interest rates stress adjustment, so there is precedent in the existing regulations for setting restrictions to the market values. If APRA does see the need to adjust market inputs, there is though the question whether to deal with this stress solely with risk of real interest rate movements or if there are inherently other items in there?

It has been suggested that a better option would be capping and collaring the real interest rate and allowing the stress factor (0.25 up / -0.20 down) to remain static, rather than having a market rate for real interest rate and some form of sliding scale for the stress factors.

However, overall members think APRA Principle 1 is a pragmatic improvement to the asset risk charge which better reflects the risks of a low interest environment.

APRA Proposal 18: <u>Expected inflation stress test:</u> APRA is considering reducing the downward expected inflation stress to 50 basis points when nominal risk-free interest rates are negative. When nominal risk-free rates are between zero and one per cent, the downward expected inflation stress would be determined as the sum of 50 basis points and half of the nominal risk-free rate. To calculate the required stress adjustment, APRA would expect insurers to assess and apply a different stress at each duration, depending on the nominal yield at that duration.

All members agreed with the proposal but regarded it as a low priority item. It is viewed as a pragmatic improvement to the asset risk charge to better reflect the risks of a low interest environment.

The main concern with the proposal, as worded, is that determining the stress values will become more complicated and therefore harder and more expensive to systemise. It is questionable whether all the additional complexity will result in a

more appropriate estimate of risk charges and capital, or if there is a simpler method which still captures the majority of the impact?

APRA Proposal 19: <u>Expected inflation stress test:</u> APRA is proposing to clarify the intent of this requirement [for expected inflation rates be added to any explicit expected inflation rates used in the valuation of assets or liabilities] to ensure that all insurers appropriately allow for expected inflation risk and hold appropriate capital against this risk.

Members support APRA justifying and explaining both existing and any new requirements. Indeed, clarification is required on the increase in basis points as well as the decrease in basis points.

It is also important that APRA clarification should help ensure that the application of risk charges is consistent across the industry and calculated as intended so as to be beneficial. However, for those insurers who predominantly write short tail lines (eg domestic motor) the proposed change is unlikely to have a significant impact.

APRA Proposal 20: <u>Removing the floor of zero for nominal interest rates:</u> APRA is proposing to amend paragraphs 40 and 44 of LPS 114, and paragraphs 36 and 40 of GPS 114 to remove the floor on nominal risk-free rates of zero that applies to the downward inflation stress and real interest rate stress.

Most members are of the view that the proposed changes will result in outcomes that better reflect the economic impacts of discount rate and inflation rate stresses in low and negative interest rates environments, and that they are not aware of any unintended consequences.

However, an alternative view was clearly expressed, namely, that it was understood that where central bank rates go negative this does not result in negative interest rates for investors, such as, insurers. Instead, negative interest rates by central banks serve as a disincentive for banks to maintain balances with the central bank, thereby incentivising banks to lend money to generate economic growth. On this basis, proponents of this view do not agree with APRA Proposal 4.

APRA Proposal 21: <u>Reviewing dollar value exposure limits</u>: APRA is proposing to factor in the inflation that has occurred since the values were introduced. APRA is also looking at methods to future proof these values, such as adding an indexing requirement to ensure that limits.

Members mostly agree with the APRA Proposal to review dollar value exposure limits and an indexation factor seems a reasonable approach. This will then take into account the natural increase that occurs in the economy and will be more beneficial for the current year.

It was also commented that improvements to the Asset Concentration Risk Charge were required to reduce the bluntness of the charge. At present, there is the same limit for any asset that is not against a reinsurer, Government or APRA regulated entity. Yet, the range of credit worthiness of these assets is vast.

Further, that APRA needs to provide more information on how the inflation/indexation component will impact the exposure limit.

APRA Proposal 22: Maintaining alignment in APRA's approach to the measurement of capital instruments for ADIs and insurers: APRA is proposing to adopt for LAGIC, the APS 111 proposals that improve the simplicity and transparency of capital instruments, as well as those which clarify expectations and existing requirements relating to capital instruments.

Members agree that there should be alignment across industries, assuming the impacts are prospective and there are no retrospective impacts for existing instruments and that the insurance industry has the opportunity to be involved in a full consultation process.

That said, one member comment was that it was unclear which exact proposals APRA is intending to adopt from APS 111 as LAGIC which commentary on this item difficult. From their read it is not obvious which APS 111 proposals "improve the simplicity and transparency of capital instruments, as well as those which clarify expectations and existing requirements relating to capital instruments". Even so, this was unlikely to impact insurers with a simple capital structure.

Members encourage APRA to run a consultation process with insurers, as occurred with the ADIs when these changes were proposed, to ensure the industry as a whole has an opportunity to provide more detailed and considered feedback.

APRA Proposal 23: Removal of Internal Capital Models: APRA is proposing to remove GPS 113 and instead require all general insurers to adopt APRA's standard method for calculating regulatory capital.

There is a diversity of opinion amongst members ranging from strong disagreement to indifference to mild agreement. Broadly, the strength of a member's view is correlated to the relevance of an Internal Capital Model (ICM) to their business. For those members who have thus far opted not to apply for an ICM there is a low correlation and a relatively low level of interest. For those members who have opted to invest significant resource and time in developing an ICM there is a high correlation and a high level of interest. These views reflect pragmatic commercial considerations.

However, as a matter of policy there is much which can be said for ICMs. ICMs allow for the development of more risk sensitive ways to calculate an insurer's regulatory capital. This benefits the individual insurer as it enables it to hold levels of capital which are more closely aligned to its risk profile. It benefits the system as it results in

learnings which the regulator can use to refine the Standard Method thereby spreading the benefits of increased risk sensitivity and alignment across the entirety of the regulated population. These individual and system benefits help explain why the optionality of an internal model is a feature of Solvency II, which is viewed as a global standard for solvency assessment, and noting that internal models are allowed for and used either fully or partially across Europe to determine minimum regulatory capital.

The Standard Method is a relatively simplistic risk-based capital tool. For example, the Standard Method assumes true comparability when this doesn't exist as it can only exist where two insurers have identical risk profiles. Nor is the Standard Method capable of correctly reflecting the benefits of non-proportional reinsurance which is a common risk management tool used by insurers etc.

The reasons given by APRA in the Discussion Paper as to why it wishes to remove this optionality for insurers are unpersuasive. For example, the current limited take up of ICMs is could be seen to be a function of APRA's accreditation process being prohibitively onerous. APRA is in control of this process therefore APRA could make adjustments to make that accreditation process optimal. For example, APRA has the power to mitigate concerns around large deviations in Internal Model Based (IMB) capital requirements from the Standard Method by capping the allowable reduction. GPS 113 already does this in the first two years post accreditation (a 10% cap).

The Insurance Council therefore considers that APRA should actively investigate ways to improve its ICM approval processes in a manner which encourage more insurers to seek accreditation of an ICM, before reaching the conclusion to remove this optionality.

APRA Proposal 24: Default stress: APRA is proposing for the insurer to apply a charge to the net rather than gross of the quota share position, however APRA recognises this may create further complexity to the capital requirements.

There is no consensus member view on this proposal.

Some members regard it as a pragmatic improvement to the standard by aligning the risk charge to the economic consequences of default by a policyholder where quota share reinsurance exists. However, its scope should be expanded by extending to include the full range of authorised reinsurers or where the reinsurer is non-APRA regulated.

Other members think the current situation should remain as this proposal will add further complexity.

It is also worth noting that not all members use quota share reinsurance, and that accordingly those members have not turned their minds to the merits of the proposal.

APRA Proposal 25: <u>Fair value requirement for the measurement of assets:</u> APRA is proposing to explicitly require general insurers to deduct the difference between fair value and the reported value of each asset, for the purpose of determining the capital base.

There was a split view amongst members as to whether this proposal was a good or bad idea. Members agreed that fair value should be used for determining the capital base.

However, the proposal as currently expressed is a blanket statement covering all assets. Members agree that all financial instruments should be at fair value. But, this treatment should not extend to other assets such as right of use asset, investments in associates and subsidiaries, PP&E, assets held for sale. Short term assets which already approximate fair value (e.g. premium receivables due in under one year) should also be carved out of the proposal.

Members would like further information on this proposal so as to be able to better assess its impact. For assets measured at amortised costs/cost eg. Receivable, PPE, Investment in Subs, Loans etc, they are already subject to impairment by the accounting standards such that there would not be any unrecognised downside risk. Members would object to the requirement to 'impair' these amounts at a lower level than is required under the accounting standards (ie. assessment at the CGU level). They would also like to understand whether APRA would allow any upside, ie. for subsidiaries held at cost but with significantly higher fair values not recognised under the accounting standards.

Members do not think that APRA should be seeking to require insurers to estimate the fair value of assets even in instances where AASB does not.

APRA Proposal 26: N/a to General Insurers

APRA Proposal 27: <u>Reinsurance:</u> APRA is looking at whole of account quota share reinsurance arrangements, where a portion of a direct insurer's premium is ceded to reinsurers.

Members support this proposal as double counting the operational risk charge at the insurer and reinsurer should be avoided. Hence members are supportive of APRA's attempts to recognise the risk transfer that takes place across reinsurance arrangements.

However, quota share reinsurance does not appear to be widely used amongst members who contributed to this submission. It was noted that the ceding of premiums on whole of account quota shares is generally on a cash basis (i.e. gross premiums are received) hence there is often no associated default risk.

APRA Proposal 28: <u>Operational risk charge for whole of account quota share arrangements</u>: While APRA recognises that requiring both insurers and

reinsurers to hold the full capital amount against the ORC is not appropriate, APRA is considering whether there is a heightened level of operational risk associated with whole of account quota share arrangements.

Members agree with APRA's view that it is not appropriate to require both insurers and reinsurers to hold the full capital amount against the Operational Risk Charge (ORC), which is applied to the full amount of premium ceded based on Gross Written Premium (GWP) and technical provisions. Double counting of the ORC should be avoided.

However, caution is required as to how APRA avoids double counting. It will need to consider carefully where it wants the capital borne (eg entirely with the originating insurer or with the reinsurer?) and the market implications of that allocation.

With respect to APRA's deliberations as to whether quota share arrangements bring with them a heightened level of operational risk, the member view is that whole-of-account quota shares proportionally reduce the net cost of all operational risks related to the underwriting of insurance contracts, and therefore there is not necessarily a heightened operational risk.

APRA Proposal 29: Duration of policies in the calculation of the Insurance Risk Charge: APRA is considering methods to adjust this standard to more appropriately deal with multi-year reinsurance contracts without creating a relatively blunt instrument. APRA intends to ensure that any proposals put forward will not introduce a risk that a reinsurer enters into other contracts of this nature to be exempt from Bound but not Incepted Business (BBNI) premium requirements.

It isn't clear to members what APRA is seeking to achieve with this proposal. Is APRA's intent to provide relief to reinsurers by requiring capital on a year-by-year basis at any given time? If so, then it is not clear how APRA could provide any form of relief without exempting BBNI.

In any event, the projection period should be the same as that which the insurers hold for the same contract. This is particularly important given that the underlying insurer has not yet written these risks. In addressing this issue it is important to balance competing considerations, which include:

- at present a number of reinsurers are resolving this issue through the use of cancellation clauses in contracts. This is arguably not in the best interests of policyholders/ industry and therefore if this proposal mitigates this practice that would be of benefit; and
- the proposal if implemented in its current form may lead reinsurers to consider alternative ways to avoid this proposal, which would be a detriment.

However, as noted elsewhere most members contributing to this submission are not a party to multi-year reinsurance contracts and have therefore not turned their minds in depth to its related issues.

APRA Proposal 30: Procedural requirements for contracts: APRA is proposing to remove this requirement to recognise the improvement, and instead require all formal procedures to be in place by inception date of the reinsurance contract. APRA expects that industry will continue to maintain good practice and the formal procedures which are currently in place, despite this change.

There is no member consensus as to whether this proposal is a positive suggestion or not. This is perhaps because there is presently a lack of clarity as to what the proposal is intended to achieve. The majority of members are concerned that the change will impose a significant burden and all agree that this is an important issue.

The range of feedback from members included:

- We did not envisage an issue with ensuring that the reinsurers have signed the contract by inception date as this is our current practice.
- We currently adhere to the "two and six" month rule. If the formalisation requires all placements signed and contracts checked this would present a significant challenge and place an impossible burden on organisations seeking to get this done by 1 July.
- It is not clear what APRA is seeking to replace the existing benchmarks with. What are the 'formal procedures' envisaged? At the moment APRA seems to be proposing to replace something that is clear with something that isn't?
- More detail is needed to understand what APRA is proposing needs to be done for all formal procedures to be in place by inception date. The Reinsurance Arrangement Statement (RAS) and Reinsurance Declaration are not too cumbersome to produce and have set parameters. However, procedural documents are broader and are not defined as well. They also likely contain the vast majority of information the already contained in the RAS.
- Having fully signed and stamped reinsurance treaty contracts in place by inception date will be onerous and another significant step up from current state. With reinsurer negotiations becoming tougher in a hardened RI market our members are better served with negotiating the best program placement possible, rather than diverting resources to an accelerated documentation deadline. While 6 months is now too long a time frame 0 months (at inception) would be too short (particularly if the renewal date occurs during a CAT event e.g.: 1st January.
- Whilst we understand what APRA is aiming to achieve with this proposal, it would put a significant impost on the industry particularly given that contracts are often being renewed up to the date of renewal particularly if influenced by

current market conditions (e.g a large catastrophic event). A two-month rule for all procedural documentation might be a more viable option.

APRA Proposal 31: Other minor drafting changes: not disclosed.

No comment as these changes are not disclosed.

[End]

APPENDIX 6

APRA LAGIC Framework – APRA Consultation Questions

APRA Question 14: (All insurers) Are there any other potential impacts of low or negative interest rates, not already mentioned in this Discussion Paper, on the current capital framework?

Members have not identified any potential impacts not mentioned in the APRA Paper as a part of their IFRS 17 implementation work. The consensus view is that stress testing which is more realistic and uses a floor level for negative risk-free rates seems to be a reasonable approach.

APRA Question 15: (All insurers) Will the expected inflation stress to 50 basis points when nominal risk-free interest rates are negative cause any unintended consequences?

Members agree that stress testing which is more realistic and that has relief against historic requirements is a good thing. The further clarification around implicit inflation assumption is also welcomed to remove the standard uncertainty. As of yet, members haven't identified any unintended consequences, but this will not be confirmed until the proposed change is applied in practice.

APRA Question 16: (All insurers) Will removing the floor on nominal risk-free rates of zero that applies to the downward inflation stress cause any unintended consequences?

Members have not, as yet, identified any unintended consequences.

APRA Question 17: (All insurers) Will the clarification on the usage of the inflation stress cause any unintended consequences?

Members don't believe that clarification on the usage of the inflation stress will cause any unintended consequences and have not noted any as yet. However, this will not be confirmed until they apply it in practice.

APRA Question 18: (GI and LI) What should the new dollar value limit be? Will indexing future-proof the value?

There was some member concern that the Asset Concentration Risk Charge is somewhat of a blunt instrument. For example, at present the same limit for an asset applies regardless of the credit quality of the asset, where it is not held against a reinsurer, government or APRA regulated entity. These assets have a wide range of credit worthiness.

There was also a generalised concern that limits should be inflation indexed so as to future-proof their value.

APRA Question 19: (GI and LI) Will the alignment in APS 111 for insurers and ADIs bring any significant burden to the insurance industry?

Members have not noted any significant burden from aligning APS 111 for insurers and ADIs, although many of our members have relatively simple capital structures.

Members would welcome any APRA proposals that clarify the position and improve simplicity around capital instruments.

Members would encourage APRA to run a consultation process with insurers, as was undertaken with ADIs when these changes were proposed, to ensure the industry as a whole has an opportunity to provide more detailed and considered feedback.

APRA Question 20: (GI) What are industry views on the proposal to cease allowing the use of ICMs in the calculation of regulatory capital?

As explained in Appendix 5, APRA Proposal 23 the Insurance Council view is that APRA should actively investigate ways to improve its ICM approval processes in a manner which encourage more insurers to seek accreditation of an ICM, before reaching the conclusion to remove this optionality.

APRA Question 21: (GI) Will applying a charge to the net rather than gross of the quota share position realign the risk to the insurer rather than the reinsurer? Are there any other methods that may achieve the same goal?

Given that many members do not use quota share insurance there was a low response rate to APRA Questions 21. This likely reflects the practical reality that if one does not use quota share insurance there is no pressing need to consider the impact of applying a charge to the net.

That said, support was expressed for the proposal to apply a charge to the net quota share position. It was also commented that members are not aware of alternative approaches and hence they would like to see further clarification on this item, given APRA recognises that this approach may add further complexity to the capital requirements.

APRA Question 22: (GI) Are there situations where general insurers shouldn't use fair value for capital base determination?

The member consensus view was that fair value should be used for determining the capital base, except for any circumstances where the AASB standards do not require insurers to estimate fair value of assets. No examples were suggested as to when this caveat applies, the caveat's inclusion would therefore seem to be a matter of sensible caution.

APRA Question 23: N/a to General Insurers

APRA Question 24: (All insurers) APRA is seeking improvement suggestions on the current double counting risk charge under quota share reinsurance arrangements.

Typically, members responding to this question utilise annual contracts and do not utilise quota share reinsurance. Accordingly, they have not formed a view on the question, although one member commented that they support any proposal that the operational risk charge should be on premiums net of quota share reinsurance.

APRA Question 25: (All insurers) APRA is seeking improvement suggestions on solving the mismatch between IRC and the duration of quota share reinsurance policies.

Members have no suggestions to make on solving the mismatch between IRC and the duration of quota share reinsurance policies. As already noted, the members who

responded do not use quota share reinsurance policies and therefore have not turned their minds to related issues.

APRA Question 26: (All insurers) Would a requirement of inception date of having all procedural documentation of reinsurance arrangements formalised be a significate burden on the industry?

The dominant member view is that an inception date requirement for reinsurance arrangements formalised does not reflect current commercial practices and would place a significant burden on industry, pending clarification on procedure documentation and what this entails.

For those members who currently adhere to the "two and six" month rule, if the formalisation were to require all placements signed and contracts to be checked from the insurer's end then this would present a challenge and place a burden on getting it done by start of the contract period (1 July).

Requirement by inception date also brings into question what was designed to occur as compared to what did occur? For example, insurers may have procedures in place, a change in circumstances could raise something new that had to change and thus what was designed to happen for that renewal might not be what happens. Certainly, procedures are meant to be followed, but as evidenced by the current COVID pandemic unforeseen situations can change the process of reinsurance renewals and by requiring them to be in place by inception means they may be written along the way.

APRA Question 27: (All insurers) Are there any additional LAGIC updates, not already mentioned, that would be beneficial to APRA and the industry?

Members only observation is that the tax effect on technical surplus should be reduced to the extent there is a Deferred Tax Asset. Arguably it should be removed entirely if it would not be payable in a 1 in 200 stress event.

[End]