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Submission - APRA 2022 QIS – REPORTING STANDARDS

We would like to thank APRA for giving Resolution Life Australasia the opportunity to provide feedback on the draft standards further to your December 2021 Response Paper. Please find below our responses, and in the “Resolution Life QIS Methods and Assumptions Capital Update” an appendix that covers detailed assumptions and simplifications that were made whilst populating the LRS forms for 2022 QIS. We would welcome the opportunity meet with you to discuss our views when you have had an opportunity to review the industry’s feedback.

1. LRS 110 – Prescribed Capital Amount
No feedback to provide.
2. LRS 111 – Adjustments and Exclusions
No feedback to provide.
3. LRS 112 – Determination of Capital Base
 - a. Separate items related to IFRS17 included within insurance contract liabilities (e.g. receivables, payables) have been allowed for under “liability adjustments”. As per LPS112, these items are already netted off prior to the calculation of the “liability adjustment”. As a result, there isn’t a capital base impact and should not be included as separate items for LRS112.
4. LRS 114.0 – Asset Risk Charge
 - a. Starting assets are assets supporting investment linked liabilities. This needs to be total assets or there needs to be an adjustment to exclude investment linked liabilities in the liability section.
 - b. In the Playback tab, the asset risk charge cells (coloured green) requiring data from other templates are not dynamic, making it difficult to enter data as it won’t be relevant to all options available in the drop-down menu of the Life Company Fund Name.
5. LRS 114.5 – Friendly Society Related Items
No feedback to provide.
6. LRS 115 – Insurance Risk Charge
 - a. Formula to calculate Insurance Risk Charge currently takes Adjusted Policy Liability – Stressed Adjusted Policy Liability which is incorrect. It should be the other way around.

7. LRS 117 – Asset Concentration Risk Charge

Feedback to be provided in April 2022.

8. LRS 118 – Operational Risk Charge

No feedback to provide.

9. LRS 200 – Capital Adequacy Supplementary Information

- a. Resolution Life aims to provide the building blocks for capital adequacy calculations in LRS 200 but would like to clarify the intention of the request for other data that does not contribute to capital calculations. As providing this additional data is onerous (particularly the granular slices of data being requested) and would require significant effort to provide regularly. Namely providing:
 - i. The three bases (LY/LY, LY/TY, TY/TY) when only TY/TY feeds into capital. Also noting that LY/LY for participating business is not meaningful.
 - ii. LRS 200 data on lower product groupings (i.e. splitting out lump sum death, TPD, trauma).
 - iii. Actual and expected loss ratios by cashflow type. Also noting that loss ratio for participating business is not a meaningful metric.
 - iv. Net and gross reinsurance present value of cashflows and BETV split by L-group and benefit type.
- b. Under AASB 17 increases to existing in-force policies will not be recorded as new business and LRS 200 form has been populated consistently with this. Did APRA intend for increases to existing in-force policies to count as new business for Table 3?
- c. Termination values at 12 months' time was not provided in QIS and not readily available. It forms the insurance risk charge but the view of the projected termination value needs to be sourced/calculated.

10. LRS 300 – Statement of Financial Position

No feedback to provide.

11. LRS 310 – Statement of Profit or Loss and Other Comprehensive Income

No feedback to provide.

12. LRS 311 – Statement of Profit or Loss and Other Comprehensive Income by Product Group

No feedback to provide.

13. LRS 320 – Liability Roll Forwards

- a. As mentioned in paragraph 7(a), the information needs to be provided every half-year; while in paragraph 7(b) mentions the information needs to be provided for each financial year. Based on Resolution Life's interpretation, it should be 3 submissions in a full financial year instead of 5 as stated in Paragraph 7 Note 1?
- b. In QIS workbook "LRS 300.0s – All Financial Statements", tab "LRS 320.0 Part A RF1", cell B23, should it be "*Insurance Service Expense*" instead of "*Insurance Revenue*"?

14. LRS 340.2 – Retained Profits and Share Capital

- a. In QIS workbook "LRS 340.2 – Retained Profits and Share Capital", tab "LRS 340.2 Table 1", there is no separate column labelled "*Retained Profits transfer from / to equity reserves*" as mentioned in the General Instructions of Reporting Standards LRS 340.2 (p.5.). We recommend APRA include this extra column in future LRS 340.2 forms.

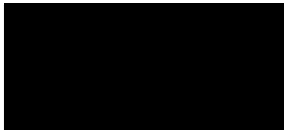
15. LRS 400 – Statement of Policy Liabilities

- a. In QIS workbook “LRS 400.0 Statement of Policy Liabilities”, tab “Playback”, rows 37-39, columns C to N – the formula for the section “Insurance and reinsurance contracts held – Variable Fee Approach” is incorrect. The formulas are looking up “Premium allocation approach” instead of “Variable fee approach”. Note that column B does this correctly, so it appears to be a copy across cells issue. We recommend this please be corrected in re-issued LRS 400 forms.

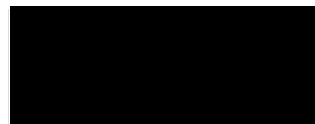
16. LRS 420 – Assets Backing Policy Liabilities

- a. Not all APRA product groups are included in the data validation of this form. (Mostly those related to wealth protection products e.g. lump sum and income protection). Is this intended?
- b. The definition of policy liability is unclear as to whether it means Life Act policy liability or AASB 17 policy liability (i.e. net or gross of insurance policy receivables, payables and loans on policies). Could APRA please clarify?

Yours faithfully



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Greg Martin
Appointed Actuary