Guidelines

Providing explanations of data – general insurers

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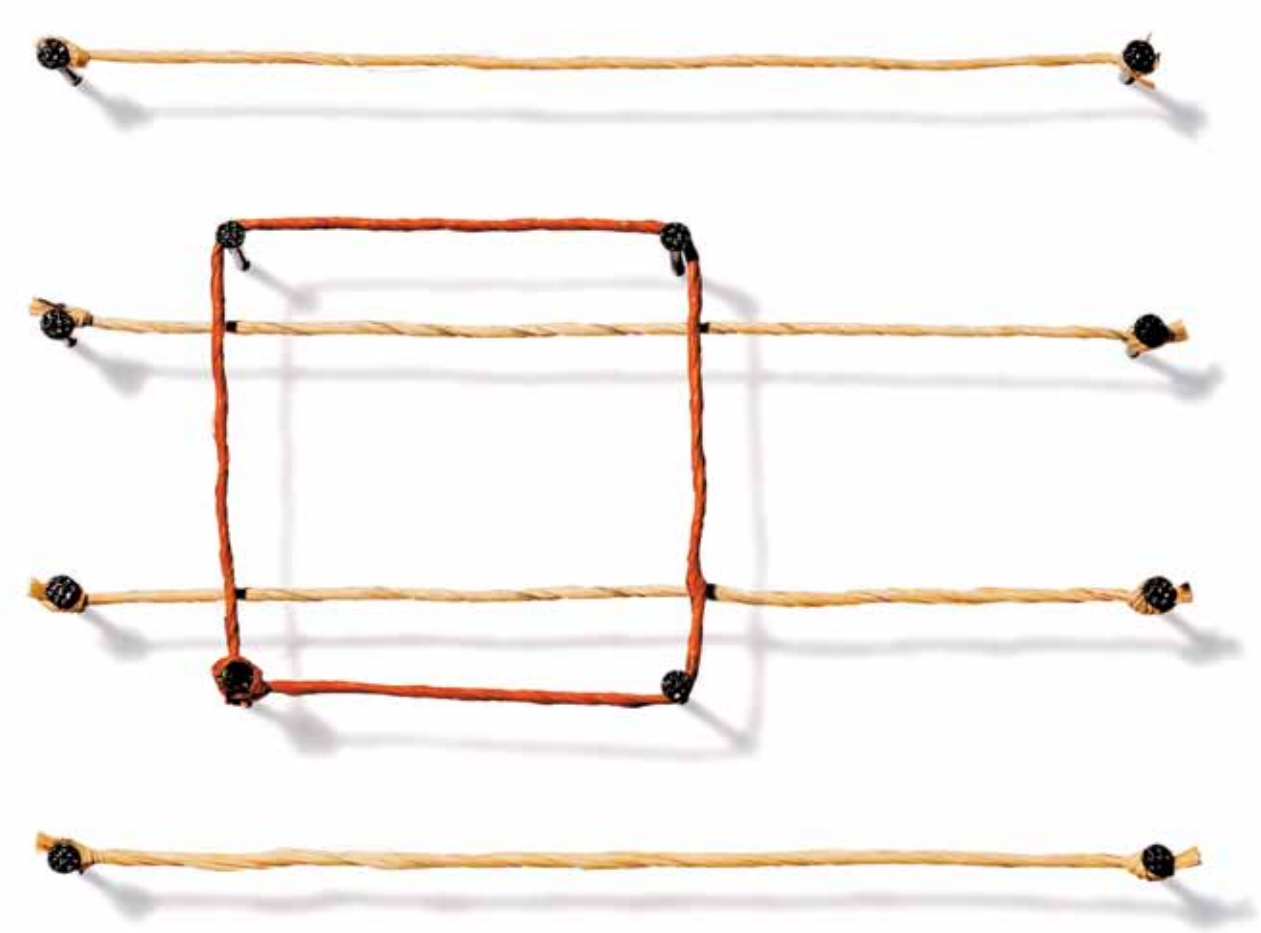

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Australian Prudential Regulation Authority

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Purpose

This document assists APRA-reporting entities explain data to APRA. It describes the information APRA expects reporting entities to provide in their explanations and how to correct submitted data.

It is crucial that entities submit relevant, timely and accurate data to APRA. APRA's data collections ultimately contribute to a more stable, competitive and efficient financial system. In particular, they are a vital input into supervisory action plans. The data are also collected on behalf of the Reserve Bank of Australia and Australian Bureau of Statistics. About 80 per cent of data collected by APRA are shared with other agencies. The statistics APRA publishes, based on the data reporting by entities, inform many decision-makers in the Australian financial system, including policy-makers, other regulators, market analysts, researchers and senior management of financial institutions.

By following the guidance in this document, reporting entities can be confident that their explanations will be acceptable to APRA. This will reduce the follow up required by APRA and reporting entities and, ultimately, the reporting burden on entities.

Background

All APRA-reporting entities, including APRA-regulated and registered financial entities, submit data to APRA via D2A. APRA uses validation rules within D2A to validate these data. Entities are expected to correct any reporting errors identified by these rules.

There are two types of D2A validation rules: mandatory and confirmation rules. Mandatory rules identify data, within D2A, that contain mathematical errors and discrepancies or factual inconsistencies. Entities must correct all data that fail mandatory rules to submit data via D2A. Confirmation rules identify data, within D2A, that indicate reporting errors or require explanation. Entities are expected to correct or explain data identified by confirmation rules within D2A. Examples of mandatory and confirmation rules are provided in Appendix A.

In addition to D2A validation rules, APRA also validates data after they are submitted by entities. These post-submission data quality checks identify data inconsistencies that are not highlighted by the D2A validation rules. APRA advises entities of the data identified by these checks outside D2A. Entities are expected to correct (via D2A) or explain data identified by these checks.

These guidelines describe acceptable explanations for data identified by APRA, whether by confirmation rules within D2A or post-submission checks. If an entity's explanation is not acceptable, APRA will contact the entity for further clarification.

APRA expects entities to respond promptly to requests for explanations of data or corrections of data via D2A.

APRA will protect entities' explanations of data pursuant to section 56 of the *Australian Prudential Regulation Authority Act 1998*.

Should entities have questions about any data validation rules or checks, they should contact APRA via statistics.insurance@apra.gov.au

Acceptable explanations

For an entity's explanation of data that is not an error to be accepted by APRA, the explanation must be sufficient, accurate and complete. In particular, it must explain why the data is not an error.

APRA will consider explanations to be acceptable if they are clear and concise, and:

- explain how an event, such as market activity or a strategic decision, affected the data;
- include relevant values and dates. If the data reflects purchases or divestments, the explanation should include details of these transactions; and
- demonstrate that the data are consistent with the relevant reporting instructions or accounting standards.

Examples:

1. **Error text:**

   GRF_110_0_L – Item 1: Credit substitutes provided and risk charge should equal Total off balance sheet required risk charge in form GRF_130_0_L: Off Balance Sheet Business – Credit Substitutes Provided and Risk Charge (L)

   Acceptable explanation:

   Form 130_0 is nil, therefore item 1 on GRF_110_0_L is zero as no risk charge is applicable

2. **Error text:**

   GRF_210_0_L – A risk margin greater than zero should be reported for all reinsurance classes of business where a central estimate of the Outstanding Claims Provision is held.

   Acceptable explanation:

   Risk Margin on Property Treaty Proportional classes is less than $500 and rounds to zero on form 210_0_L.

3. **Error text:**

   GRF_310_1_L – TBL T1-Every field in the direct business table should be completed with a value including zero if a direct class of business has been selected. Otherwise please confirm the zero value if it has been entered in the table.

   Acceptable explanation:

   For all direct class of business selected, every field in the direct business table has been completed. We have inserted zero value in some instances.

4. **Error text:**

   GRF_310_2_L – Reinsurance recoveries revenue relating to future years 'of which with associates' should be less than the total.

   Acceptable explanation:

   Reinsurance recoveries is showing a negative this month due to change in how the recoveries are calculated. This is due to ...

Unacceptable Explanations

APRA will not accept an entity's explanation of data that is insufficient, inaccurate or incomplete. In particular, responses that do not contain any explanation of the data, or explanations that only comment on the value of the rule or check will not be accepted by APRA.

Examples of explanations that would not be accepted by APRA include:

- Incomplete explanations, such as;
  - verified/confirmed/amounts are correct;
  - supported by system reports; or
  - no comment/nil.
- Comments on the value of the rules or checks
- Explanations that only contain unnecessary or irrelevant information, such as who is to blame for the error or how the error progressed through the internal controls.
- Explanations that require further research. The explanation should explain the data without undue reference to other explanations provided elsewhere.

A rule may not identify an error – it may identify an unexpected or unanticipated result. If an entity has a question about a rule or suggestion to improve it, the entity should contact APRA for clarification before the data is due to be submitted.

Revising submitted data

A rule or check may identify inconsistencies between different periods' data. These inconsistencies may arise because the current period's data is correct but data submitted for the previous period was incorrect. In these cases, the entity must correct the previous period's data and resubmit them to APRA via D2A.

If the entity identifies errors in more than one period, it should contact APRA at statistics.insurance@apra.gov.au to agree remedial action.

Appendix A

Mandatory rules

Mandatory rules identify mathematical discrepancies or factual inconsistencies in data within D2A.

Examples of mandatory rules include:

- GRF_110_0_L – Item 9: OCP Insurance Risk Charge must equal Total OCP Insurance Risk Charge in form GRF_210_0_L: Outstanding Claims Provision – Insurance Risk Charge (L).
- GRF_310_0_B – Aggregate of amounts transferred from parent entity (i.e. contributions of capital) must be reported as a positive number.
- GRF_310_1_L – Total, Net written premium must equal Net premium revenue in GRF_310_0_L Statement of Financial Performance (L).

Entities must correct all data that fail mandatory rules to submit data via D2A. Entities cannot provide explanations for data that fail mandatory rules.

If an entity is not able to resolve a mandatory rule, it should contact APRA via statistics.insurance@apra.gov.au.

Confirmation rules

Confirmation rules identify data, within D2A, that indicate reporting errors or unexpected or unanticipated results that require explanation.

Examples of confirmation rules include:

- GRF_140_1_L – Absolute value of notional equity position of derivatives (Basis risk component), Investment capital factor has been either left blank or reported as 0 per cent. Enter 0 if an investment capital factor 0 per cent should be used or confirm the investment capital factor 0 per cent.
- GRF_310_1_L – Every field in the direct business table should be completed with a value including zero if a direct class of business has been selected. Otherwise please confirm the zero value if it has been entered in the table.
- GRF_310_3_L – Total investment income which is attributable to shareholders funds has been either left blank or reported as zero. Enter a value of zero and do not leave the field blank or confirm the zero value that has been reported.

Entities are expected to correct or confirm and explain data identified by confirmation rules within D2A.

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