

## **GRF\_115\_0B\_G Outstanding Claims Liabilities - Insurance Risk Charge - Australia by Region (G)**

These instructions must be read in conjunction with the general instruction guide.

### **Explanatory notes**

#### **Reporting by region**

A Level 2 insurance group may apply to APRA for a reporting adjustment to report Australian business as a single region. If the reporting adjustment is not in place, the Level 2 insurance group must not complete this form, and instead complete *GRF 115.0A\_G Outstanding Claims Liabilities – Insurance Risk Charge – Australia by Class of Business*.

This form requires the outstanding claims liabilities (OCL) of an Australian business of the Level 2 insurance group to be reported as a single region and the international business to be reported by region.

For both Australian and International business, while class of business is not required to be reported on this form, Level 2 insurance groups are expected to map their business to the classes of business as defined in *Prudential Standard GPS 001 Definitions* (GPS 001) in order to assign an insurance risk capital charge. The details of the mapping and the calculation of the insurance risk charge for businesses are to be provided as a reporting supplement to APRA.

#### **Basis of reporting**

OCL are to be valued in accordance with the requirements of *Prudential Standard GPS 320 Actuarial and Related Matters* (GPS 320). Where there is reinsurance between regions, regions are to be reported on a separate basis. That is, the region directly assuming the risks must report as direct business. The reinsuring region should treat this as direct business as well.

Where reinsurance occurs between entities in one region, the reinsurance transaction is to be eliminated on consolidation within the region reported. Consolidation adjustments for intra-group reinsurance transactions between entities in different regions should be reported under 'Group adjustments' in Section 5.

#### **Direct business (Australian)**

The Level 2 insurance group should report the total of all direct Australian business.

#### **Direct business (International)**

The Level 2 insurance group should report the sum of the classes of business for each international region.

### **Reinsurance business (Australian)**

The level 2 insurance group should report the total of all reinsurance Australian business.

### **Reinsurance business (International)**

The level 2 insurance group should report the sum of the classes of business for each international region.

## **Instructions for specific items**

### **Were actuarial services used to complete this return (Yes/No)**

If actuarial services were used to complete this form input 'Yes', otherwise input 'No'.

### **Sections 1, 2, 3, and 4**

#### **(2) Gross OCL - Central estimate**

For each region, report the central estimate of the gross OCL that is calculated in accordance with GPS 320.

The central estimate will be measured as the present value of the future expected payments, i.e. discounted for future investment income, determined in accordance with GPS 320. The central estimate is intended to reflect the mean value in the range of possible values for the outcome (that is, the mean of the distribution of probabilistic outcomes), and so does not include any risk margin.

#### **(3) Gross OCL - Risk margin**

For each region, report the risk margin for the gross OCL that is calculated in accordance with GPS 320.

The risk margin is the component of the value of OCL that relates to the inherent uncertainty that outcomes will differ from the central estimate. When added to the central estimate, it is intended to increase the likelihood that the OCL will be sufficient to the level required in GPS 320.

#### **(4) Gross OCL - Total**

This is automatically calculated as the sum of Columns 2 and 3.

#### **(5) Non-reinsurance recoveries**

Non-reinsurance recoveries are amounts that may be recovered under arrangements other than reinsurance arrangements, such as salvage, subrogation and sharing agreements.

For each region report the non-reinsurance recoveries associated with the OCL.

## **(6) Reinsurance recoveries**

Reinsurance recoveries has the same meaning as 'Reinsurance recoverables' in GPS 001. For each region report the reinsurance recoveries associated with the OCL calculated in accordance with GPS 320. The value reported must be net of any provisions for doubtful debts.

Level 2 insurance groups should recognise reinsurance recoveries, which are calculated in accordance with GPS 320, but which are due from reinsurance arrangements that do not fully meet the reinsurance documentation tests specified in *Prudential Standard GPS 230 Reinsurance Management*.

Reinsurance recoveries would normally be estimated on the basis of each class of business written by the Level 2 insurance groups. However, there are certain forms of reinsurance where recoveries depend on the combined claims experience of several or all classes of business underwritten by the Level 2 insurance group. In such instances, the estimation will be required to factor in all the individual results by class of business covered by the reinsurance arrangement.

## **(7) Net OCL - Central estimate**

For each region report the central estimate, net of reinsurance and non-reinsurance recoveries, associated with the OCL that is calculated in accordance with GPS 320.

## **(8) Net OCL - Risk margin**

For each region, report the risk margin, net of reinsurance and non-reinsurance recoveries, associated with the OCL that is calculated in accordance with GPS 320.

## **(9) Net OCL - Total**

This is automatically calculated as the sum of Columns 7 and 8.

## **(10) OCL capital factor %**

As part of the supplementary information provided to APRA, Level 2 insurance groups are required to have mapped their Australian and international business to the Australian classes of business as defined in GPS 001 in order to assign an insurance risk capital charge. For Australian and international business, this column requires Level 2 insurance groups to report a weighted average capital factor which applies to the total of all the classes for each region.

## **(11) OCL Insurance Risk Charge**

This column represents the insurance risk capital charge applicable to each region. For Australian and international business the insurance risk capital charge is calculated based on the weighted average capital factor reported for each region under Column 10.

This is automatically calculated by the form as Column 9 multiplied by Column 10.

## **Section 5**

### **Total direct Australian business**

This is automatically calculated by the form and represents the total from Section 1.

### **Total direct International business**

This is automatically calculated by the form and represents the total from Section 2.

### **Total reinsurance Australian business**

This is automatically calculated by the form and represents the total from Section 3.

### **Total reinsurance International business**

This is automatically calculated by the form and represents the total from Section 4.

### **Group adjustments**

Adjustments not recognised in Sections 1 to 4 are to be reported in this section of the form. Group adjustments are to be reported as negative values.

### **Adjustments to OCL Insurance Risk Charge as approved by APRA**

If APRA is of the view that the Standard Method for calculating the OCL Insurance Risk Charge component of the prescribed capital amount does not produce an appropriate outcome in respect of a Level 2 insurance group, or a Level 2 insurance group has used inappropriate judgement or estimation in calculating the OCL Insurance Risk Charge, APRA may adjust the OCL Insurance Risk Charge calculation for that Level 2 insurance group.

Approved adjustments are to be reported separately in the associated table highlighting the description of the adjustment given, transitional status and amount of adjustment applied. An increase in the risk charge is to be reported as a positive amount.

This is calculated automatically as the sum of Column 3 in the table that follows.

### **Total**

Each item in this row is automatically calculated as the sum of each corresponding column in Sections 1 to 4 and Group Adjustments.

### **OCL surplus / (deficit)**

Include in this item the value of OCL that are recognised in *GRF 300.0\_G Statement of Financial Position* (GRF 300.0\_G), that are in excess of the OCL valuation required by GPS 320 as per Column 9 of this form (positive value); or those that are in deficit to the OCL valuation required by GPS 320 (negative value).

This is calculated on a net basis as per the following:

Calculate the total net OCL as reported in GRF 300.0\_G as:

- Item 16 (GRF 300.0\_G) *Outstanding claims liabilities*;
- Less: sum of reinsurance recoveries and non-reinsurance recoveries:
  - Item 2.4.1 (GRF 300.0\_G) *Net amount recoverable from reinsurance contracts on outstanding claims and paid claims: On outstanding claims*; plus
  - Item 2.2.1 (GRF 300.0\_G) *Total net recoveries other than reinsurance receivable: On outstanding claims*;
- Less: *Net OCL - Total* for all classes of business (including group adjustments) in this form.

This value will be included in Item 1.1.6.1 in *GRF 112.0\_G Determination of Capital Base*.