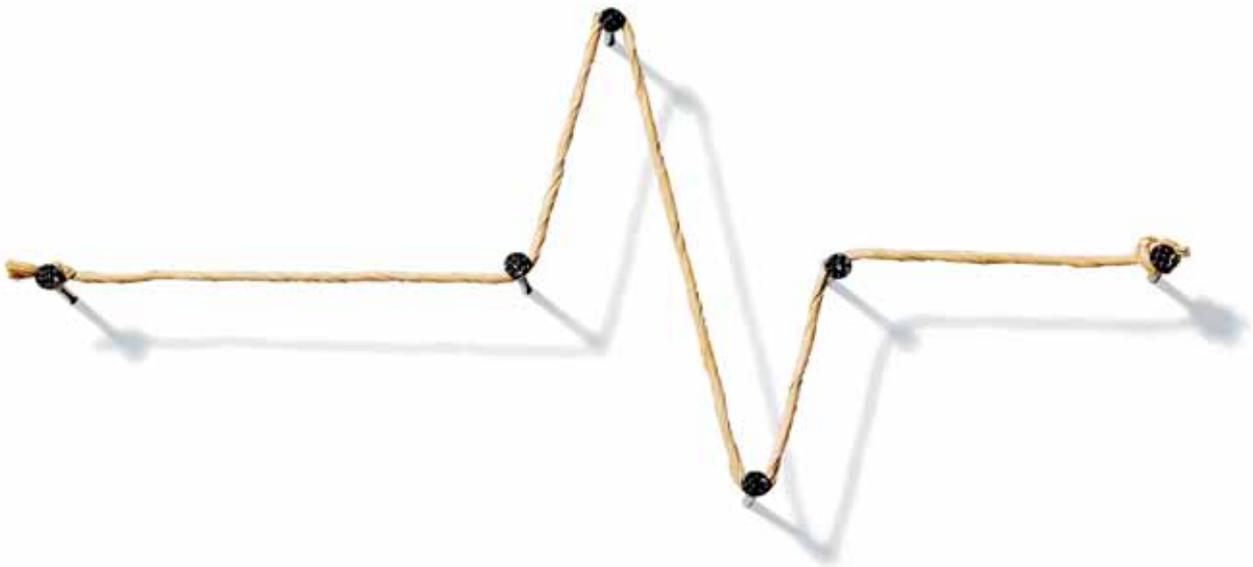




Guidelines

Providing explanations of data – life insurers and friendly societies

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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:

LRF_220_0 – Section A: Large Exposures of a Fund column headed 'Amount of Exposure (after adjusting for derivatives) Total' should be greater than or equal to 1 per cent of item 1: Total assets of the Fund in Section A.

Acceptable explanation:

Where a large exposure for a particular counterparty is comprised of more than one major asset class, the exposure has been split across those asset classes; thus reducing some line items to less than 1 per cent of total assets of the fund.

2. Error text:

LRF_300_1 – Item 30: Net Assets, per general purpose accounts - Balance Sheet should be greater than or equal to zero for annual returns.

Acceptable explanation:

Net assets have fallen due to movements in asset values in the quarter. There is sufficient capital in the Statutory Fund but the position is being monitored.

3. Error text:

LRF_420_0 – Item 2.11.3: Total Australian Business column headed 'Net total of assets backing policy liabilities (19)' should be less than or equal to the value reported for column headed 'Australian Business' in line item 12: Total Assets in LRF 300.1: Statement of Financial Position (SF and SF Eliminations).

Acceptable explanation:

Net Assets in form LRF_420_0 is higher than Total Assets in form LRF_300_1 because the Statutory Fund, which comprises of risk products, incurred high front end acquisition costs and as a result, the Statutory Fund recognises a negative gross policy liability.

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:

- LRF_110_0 Item 1.7: Solvency Requirement for this fund must agree with the value reported for item 1.11: Total Solvency Requirement in LRF 100.0: Solvency.
- LRF_220_0 Section A: Large Exposures of a Fund column headed 'Inadmissible Amount' must be less than or equal to Section A column headed 'Amount of Exposure (after adjusting for derivatives) Total'.
- LRF_340_2 Item 2.1: Profit/(Loss) after Income Tax attributable to Shareholders must agree with the value reported in column headed 'Shareholders' Fund' in line item 19: Profit/(Loss) after Income Tax attributable to Shareholders in LRF 310.2: Statement of Financial Performance (SF Total, SHF, SH Elim, Entity).

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:

- LRF_300_1 – Item 23: Net Assets is expected to be greater than or equal to zero.
- LRF_340_1 – Item 2.5: Increase/(Decrease) in Unallocated Benefit Fund reserves is only expected to be applicable to friendly societies.

- LRF_420_0 – Item 2.1.1.3: Total Australian Business column headed 'Other investment assets (7)' is expected to be less than or equal to the value reported for column headed 'Australian Business' in line item 9.7: Total other investment assets held effectively (hedged positions) in LRF 300.1: Statement of Financial Position (SF and SF Eliminations).

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



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