

Reporting Form DRF 100.0

Insurance and Sundry Information

Instruction Guide

Introduction

This form requires Discretionary Mutual Funds (**DMFs**) to report information about Static Information relating to: Insurance and Other Information which relates only to discretionary business. DMFs will need to advise APRA, within two months, if there are changes to any of the information on this form.

Level of reporting

For the purposes of the instructions below the term DMF includes reporting at the legal entity or trust or subfund level. The same level of reporting must be used throughout this form.

DMFs will generally need to submit data at the legal entity or trust level. Some DMFs, however, operate with multiple subfunds and in those cases where the DMF has separate sub fund bank accounts and sub fund financial statements, this reporting form will need to be submitted for each sub fund. For example, if an entity has 2 subfunds: subfund A and subfund B. Subfund A and also subfund B will need to complete this reporting form.

Reporting obligations

The DMF is required to report information relating to a financial year in the forms. Financial years ending on or between 1 January 2008 and 30 June 2008 must lodge this form at the latest by 30 October 2008. For financial years ending after 30 June 2008 DMFs must lodge their reporting forms at the latest 4 months after the DMF financial year end.

Audit requirements

The reporting form does not need to be audited. However the data should be based on the DMF's financial statements and must be subject to the same processes and controls that cover the review and authorisation of the accounting data. It is the responsibility of the board or trustee or senior management of the DMF to ensure that the information lodged with APRA is accurate and complete.

Method of submission

Forms will be submitted electronically to APRA using 'Direct to APRA' (**D2A**) software unless alternative arrangements are made with APRA.

Definitions

Beneficiary = The party that will become eligible to receive a payment once a claim is approved.

Member = The party that pays the contribution to the DMF.

Definitions for data reporting items required by this form have been provided where possible in the instructions under the section headed 'Specific Instructions'.

Basis of preparation

Accounting basis of preparation

Important: Report all items using the same recognition and measurement basis that is used in your financial statements. The instructions below are specific to entities that are reporting and complying with all applicable Australian Accounting Standards. In those cases where an entity does not comply with a AASB standard specifically identified below, report on the accounting basis used in your financial statements.

Unit of measurement

This form is to be presented in Australian dollars (**AUD**), rounded to thousands of dollars, with no decimal places. Amounts denominated in a currency other than Australian currency are to be converted to AUD in accordance with *AASB 121 The Effects of Changes in Foreign Exchange Rates (AASB 121)*.

Specific instructions

1. Insurance taken by the DMF

1.1. How do you establish Maximum Event Retention (MER)?

Enter only the corresponding letter for the method used, i.e. Proprietary Risk Modelling software (A), Actuarial consultation (B), Other consulting services (C) or Other (D).

1.2. For 'Other' and 'Other consulting services', provide brief details:

Please explain using the free text box.

1.3. If you use probability modelling, what is the basis of determining the Maximum Event Retention (MER)? If you do not use probability modelling select 'Another basis'.

Select the nearest return period chosen to determine level of insurance coverage purchased and resulting MER. If you do not use probability modelling, select 'No

basis' or 'Another basis'. Enter only the corresponding letter for the method used, i.e. More than 1 in 250 (A), 1 in 250 (B), 1 in 200 (C), 1 in 150 (D), 1 in 100 (E), 1 in 80 (F), 1 in 60 (G), 1 in 40 (H), 1 in 20 (I), 1 in 1 (J), No basis (K), Another basis (L).

1.4. If you use the 'percentage of capital' approach, what is the percentage of capital applied to determine the Maximum Event Retention (MER)? If you do not use this approach, input 0.

Input the percentage rounded to the nearest whole number percentage.

1.5. If you do not use 'probability modelling' or 'percentage of capital' approach please explain what basis you use.

Please explain using the free text box.

1.6. List the types of cover (classes/risks/maximum sum insured) offered to members which fall within the protection wording and are not insured?

This question requests information on the classes/risk of businesses which are offered to members but absolutely no insurance is purchased by the DMF.

1.7. List of insurers and counterparty grades in order of premium paid? Highest to lowest amount. Also include the recoverable amount by claim year.

Insurer – Type the name of the insurer in the free text field.

Counterparty grade – Select the appropriate credit rating counterparty grade 1 to 5 in the drop down box. Refer to the table below to determine the appropriate counterparty grade.

Counterparty grades

Grade	Standard & Poor's	Moody's	AM Best	Fitch
1	AAA	Aaa	A++	AAA
2	AA+ AA AA-	Aa1 Aa2 Aa3	A+	AA+ AA AA-
3	A+ A A-	A1 A2 A3	A A-	A+ A A-
4	BBB+ BBB BBB-	Baa1 Baa2 Baa3	B++ B+	BBB+ BBB BBB-
5	BB+ or below	Ba1 or below	B or below	BB+ or below

Use the same rating agency for determining counterparty grades. This general rule where there are good reasons for doing so, such as under the following circumstances:

- Where the rating agencies usually monitored do not issue a solicited credit rating for a particular debt obligation and only one other rating agency issues a solicited credit rating for that debt obligation, that solicited credit rating may be used.
- Where the rating agencies usually monitored do not issue a solicited credit rating for a particular debt obligation, the credit ratings issued by all other rating agencies listed must be reviewed and the rule below must be used to determine which rating agency will be used to determine the counterparty grade.
- The rule below may also be applied where multiple rating agencies provide different solicited credit ratings for a particular debt obligation.

Rule: Where a counterparty or debt obligation has solicited credit ratings from multiple rating agencies, the following guideline will be followed in determining the rating to be used; if there is more than one rating the lowest credit rating should be used.

Recoverable amount – Include by Current year claims, Previous year claims and Earlier years claims.

1.8. Are insurance brokers used to place insurance?

Select Yes/No.

1.9. If 'Yes' list the names of the insurance brokerage firms which place your insurance. In order of premium paid highest to lowest.

Type the names of the insurance brokerage firms in order of highest to lowest premium paid.

1.10. Are all insurances automatically reinstated after loss for all policies?

If a claim is made on insurance does the insurance cover automatically reinstate?
Select Yes/No.

1.11. If 'No' detail the types of insurances (classes/risks/sums insured) which are not automatically reinstated.

List the types of cover which are not automatically reinstated.

1.12. What is the maximum cost to reinstate insurance cover after the first MER event for all policies?

Input the maximum cost of the first reinstatement after the MER event. If nil input zero.

1.13. What is the maximum cost of any subsequent per event reinstatement after the MER event for all policies?

Input the maximum cost of any subsequent per event reinstatement after the MER event. If nil input zero.

1.14. Does the insurance contract pay out the claim, irrespective of whether the claim is within the protection wording of the cover offered to the member for all policies?

What we are trying to establish is whether your insurer pays out in all circumstances. Thus if a claim is made by the member will the insurer automatically pay the insurance element of that claim. Thus the insurer will not have regard to whether the claim falls within or outside the protection wording of the member.

1.15. Do all insurances have a feature that reduces the deductible to nil when the underlying pool of funds (aggregate deductible) is exhausted?

Select Yes/No. Thus when the pool of funds/aggregate deductible becomes nil, will the insurer pay the full claim of the member net of any member excess or franchise.

1.16. If 'Yes' above, please describe the structure of your insurance programme and where this feature applies.

If yes, type in the free text the broad structure of your programme and what insurance policy provides this feature.

2. Other

2.1. Can calls be made on members and is there a contractual obligation to pay?

Calls are requests made by the DMF on the member for amounts over and above the contributions paid. Please select Yes/No.

2.2. If 'Yes', what is the basis for determining the maximum call amount?

Select whether basis of calculation is a specified amount or a percentage of contribution or other.

If 'Other', please explain the methodology of calculating the maximum call amount.

Explain the methodology in the free text field.

2.3. What would be the maximum amount of a call on a member for any financial year?

Input the maximum amount rounded to the nearest thousand dollars.

2.4. What is your confidence level that all calls will be paid in full by members?

Depending on the financial strength of the members the degree of confidence may differ. Enter only the corresponding letter for your confidence level, i.e. High (A), Medium (B) or Low (C).

2.5. Please provide brief reasoning for concluding this confidence level?

In the free text field, please explain. If the members are large corporates your confidence level may be higher than if the members are persons.

2.6. List the dispute resolution bodies that a member can lodge a complaint with? State if None.

In the free text field list the dispute resolution bodies the member may contact if they have a complaint.

2.7. To the best of your knowledge please list the types of cover/products sold which members are not able to purchase from licensed Australian insurers?

DMFs may sell products which may not be available to the members from licensed Australian insurers. Please list in the free text field which cover/products are not available.

2.8. Are products sold under a Australian Financial Services License (AFSL)?

Select Yes/No.

2.9. Is a Product Disclosure Statement (PDS) issued to all prospective members?

Select Yes/No.

2.10. In the event of wind-up who would receive any excess monies that were not needed; after satisfying liabilities?

Who receives the remaining assets after its liabilities have been satisfied in a wind-up situation? Enter only the corresponding letter for the recipient of the surplus funds, i.e. Charity (A), Members (B) and Other (C).

2.11. If 'Other' in 2.10 please provide brief details.

If 'Other' describe in the free text field who will receive the funds.

2.12. Explain who receives and what happens to profits/surpluses which arise in the normal course of business?

Explain what parties receive surpluses; e.g. members; and what happens to surpluses; eg used for discounted premiums as a loyalty bonus, distributions to members, training etc.

2.13. If the member discontinues cover mid term, are contributions (after allowing for administration charges) refunded to the member for the unexpired period of cover?

In the event of the member wanting to discontinue cover mid-term, does the member receive a pro-rata refund of contribution paid (after allowing for administration charges).

2.14. Are annual audited financial statements lodged with ASIC?

Select Yes/No.

2.15. Are annual audited financial statements distributed to all members?

Select Yes/No.