

Reporting Form DRF 310.2

Claims Expense and Insurance Recoveries

Instruction Guide

Introduction

This form requires Discretionary Mutual Funds (**DMFs**) to disclose information about claims expense, insurance recoveries and other recoveries by class of business for discretionary business only.

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 company or the trustee of the DMF is required to report information relating to a financial year in the forms. For financial years ending on or between 1 January 2008 and 30 June 2008 DMFs 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 by 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 that 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.

Basis of preparation

Accounting basis of preparation

Important: Report all items using the same recognition and measurement basis that is used in your audited 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 audited 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*.

Specific instructions

'Total Gross claims expense', 'Insurance recoveries', 'Other recoveries', 'Total gross claims expense net of insurance and other recoveries' must agree to relevant items in *DRF 310.0 Statement of Financial Performance (DRF 310.0)*.

'OCL at end of financial year' must agree to the relevant items in *DRF 300.0 Statement of Financial Position (DRF 300.0)*.

1. Class of business

Please refer to Appendix 1 for the definitions for the classes of business. Most items on this form are disclosed by class of business.

2. Claim payments made in the current year

Report the claim payments made during the financial year.

3. OCL at beginning of financial year

Report Outstanding Claims Liability (**OCL**) at the beginning of the financial year.

4. OCL at end of financial year

Report OCL at the end of the financial year.

OCL at the end of the financial year should agree to the current plus non-current 'Outstanding claims' as reported in DRF 300.0.

5. Total gross claims expense

The column 'Total gross claims expense' is calculated automatically and is derived from:

'Claim payments made in the current year'

Plus:

'OCL at end of financial year'

Less:

'OCL at beginning of financial year'

The total amount of gross claims expense reported in this form must match the total claims expense reported in line item 'Gross claims expense' in DRF 310.0.

6. Insurance recoveries

Report the insurance recoveries revenue for the financial year. This will include recoveries received or receivable associated with the claims expense. Include amounts that the DMF has recovered or is entitled to recover from insurance on claim expenses during the financial year.

Total 'Insurance recoveries' reported in this form must match the line item 'Insurance recoveries revenue' reported in DRF 310.0.

7. Other recoveries

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

Report the amount of 'Other recoveries' earned in the current financial year in relation to 'Total gross claims expense'.

Total 'Other recoveries' reported in this form must match the line item 'Other recoveries revenue' reported in DRF 310.0.

8. Total gross claims expense net of insurance and other recoveries

This amount is automatically calculated by the form and represents 'Total gross claims expense' less 'Insurance recoveries' less 'Other recoveries'.

9. Total gross claims expense with no potential insurance recovery

This column represents that portion of total gross claims expense for which there is no insurance recovery, because insurance cover has not been taken out.

10. Insurance recoveries received (cash flow basis)

Report the grand total of insurance recoveries received over the financial year (sum of all classes of business i.e. disclosure in relation to individual class of business is not required).

This relates to all insurance recoveries received on a cash flow basis in the current financial year, regardless of the financial year in which the insurance recovery may have been recognised as revenue (i.e. a prior financial year). Note: as a proxy the basis required by *AASB 107 Cash Flow Statements (AASB 107)* may be used.

11. Claims paid (cash flow basis)

Report the grand total of claims actually paid over the financial year (sum of all classes of business i.e. disclosure of claims paid in relation to individual class of business is not required). This relates to all claims paid on a cash flow basis in the current financial year, regardless of the financial year in which the claim may have been recognised as an expense (i.e. a prior financial year). Note: as a proxy the basis required by AASB 107 can be used.

‘Total gross claims expense’, ‘Insurance recoveries’ and ‘Other recoveries’ which are from/with related parties:

Report the amounts of ‘Total gross claims expense’, ‘Insurance recoveries’ and ‘Other recoveries’ which have been provided to related parties or received from related parties.

Related party disclosure

Related party/entity is to be interpreted in accordance with *AASB 124 Related Party Disclosures*.

Parent entity is to be interpreted in accordance with *AASB 127 Consolidated and Separate Financial Statements (AASB 127)*.

Subsidiaries are to be interpreted in accordance with AASB 127.

Associates are to be interpreted in accordance with *AASB 128 Investments in Associates*.

Joint ventures are to be interpreted in accordance with *AASB 131 Interests in Joint Ventures*.

Parent entity

Of that amounts of 'Total gross claims expense', 'Insurance recoveries' and 'Other recoveries' which have been reported in this form, report amounts that are with/from the parent entity of the DMF.

Controlled entities/Controlled entities of the parent

For DMFs with parents, 'Controlled entities/Controlled entities of the parent entity' is to be interpreted as amounts in relation to 'Controlled entities of the parent entity'. For DMFs, amounts are in relation to 'Controlled entities' of the reporting DMF.

Of that amounts of 'Total gross claims expense', 'Insurance recoveries' and 'Other recoveries' which have been reported in this form, report amounts that are with/from these entities.

Associates

Of that amounts of 'Total gross claims expense', 'Insurance recoveries' and 'Other recoveries' which have been reported in this form, report amounts that are with/from Associates of the DMF.

Other related entities

Of that amounts of 'Total gross claims expense', 'Insurance recoveries' and 'Other recoveries' which have been reported in this form, report amounts that are with/from any other related entity of the DMF that is not specifically identified above.

Appendix 1: Definitions of classes of business

The classes of cover are as follows:

(I) Houseowners/Householders (H & H)

This class includes:

- Contents;
- Personal property;
- Arson; and
- Burglary.

Public liability normally attaching to these products is to be separated and included in public and product liability class of business – item (XII).

(II) Commercial motor vehicle

Motor vehicle cover (including third party property damage) other than cover covering vehicles defined below under domestic motor vehicle. It includes long and medium haul trucks, cranes and special vehicles and cover for fleets.

(III) Domestic motor vehicle

Motor vehicle cover (including third party property damage) covering private use motor vehicles including utilities and lorries, motor cycles, private caravans, box and boat trailers and other vehicles not normally covered by business or commercial cover.

(IV) Travel

Cover against losses associated with travel including loss of baggage and personal effects, losses on flight cancellations and overseas medical costs.

(V) Fire and Industrial Special Risks (ISR)

Fire - Includes all cover normally classified as 'Fire' and includes:

- sprinkler leakage;
- subsidence;
- windstorm;
- hailstone;
- crop;
- arson; and
- loss of profits and any extraneous risk normally covered under fire cover, e.g. flood.

ISR - Business cover which typically covers:

- Material damage - physical damage to property and assets
- Money/Crime - handling of cash, and internal crime
- Theft/Burglary - external crime of all sorts
- Liability - both public (damage to third parties) and product (recall of items)
- Business interruption - this covers the loss of profits due to a variety of external reasons.

When an organisation has a turnover which is substantial (as an example over \$5 million) this business cover is under Industrial Special Risks (**ISR**) cover. Below that value, it is typically placed under a Business Pack cover which arguably is much simpler, but typically does not offer as wide a cover. The ISR cover is a base contract of insurance which has been designed to be tailored to meet the individual needs of a business and this is done by way of endorsement.

(VI) Marine

Includes marine hull (including pleasure craft), marine cargo (including sea and inland transit cover).

(VII) Aviation

Aviation (including aircraft hull and aircraft liability).

(VIII) Mortgage

Cover against losses arising from the failure of debtors to meet financial obligations to creditors or under which payment of debts is guaranteed. It includes lease guarantee.

(IX) Consumer credit

Cover to protect a consumer's ability to meet the loan repayments on personal loans and credit card finance in the event of death or loss of income due to injury, illness or unemployment.

(X) Other accident

Includes the following types of cover:

- Miscellaneous accident (involving cash in transit, theft, loss of money);
- All risks (baggage, sporting equipment, guns);
- Engineering when not part of ISR or fire cover;
- Plate glass when not part of packaged cover (e.g. homeowners /householders)
- Guarantee;
- Live stock;
- Pluvius; and
- Sickness and accident (which provides stated benefits where the beneficiary is killed or suffers loss of specific parts of the body or is prevented from carrying out the beneficiaries normal occupation. In addition, regular benefits may be paid over a short period of time

(typically less than 3 years), noting that continuous disability cover is considered to be life cover).

(XI) Other

All other cover not specifically mentioned elsewhere. It includes, for example:

- All guarantees (e.g. fidelity guarantee)
- Trade credit;
- Extended warranty (includes cover by a third party for a period in excess of the manufacturer's or seller's normal warranty);
- Kidnap and ransom; and
- Contingency.

(XII) Public and product liability

Public liability covers legal liability to the public in respect of bodily injury or property damage arising out of the operation of the member's business. Product liability includes cover that provides for compensation for loss and or injury caused by, or as a result of, the use of goods and also environmental clean-up caused by pollution spills where not covered by fire and ISR cover.

Also will include builders warranty cover.

Includes public liability attaching to houseowners/householders cover.

(XIII) Professional indemnity (PI)

Includes Directors' and Officers' liability cover plus legal expense cover. Cover for legal expense is generally included in this type of cover.

(IX). Life and continuous disability

Includes life and continuous disability cover.

Continuous disability is cover:

- (a) that is, by its terms, to be of more than 3 years' duration; and
- (b) under which a benefit may be payable in the event of:
 - (i) the death, by accident or by some other cause stated in the cover, of the person whose life is covered; or
 - (ii) injury or disability as a result of accident or sickness; or
 - (iii) the person covered being found to have a stated condition or disease.