Reporting Form DRF 310.3

Insurance by Class

Instruction Guide

Introduction

This form requires Discretionary Mutual Funds (**DMFs**) to report information about insurance purchased which relates to cover provided to the members.

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. 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.

Definitions

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*.

Specific Instructions

Insurance

The table is to be completed by class of business providing the detail in respect of the indicated below:

- Maximum policy period
- Maximum any one risk accepted by DMF
- Maximum any one risk accepted by insurer
- Highest risk retention
- Maximum event exposure
- Maximum event loss
- Expected insurance recovery from maximum event loss
- Maximum event retention

1. Class of business

Please refer to Appendix 1 for the definitions for the classes of business.

2. Maximum policy period

Report the maximum number of months of current insurance cover provided by the insurer to the DMF.

3. Maximum any one risk accepted by DMF

Report the gross maximum value of any one risk accepted by the DMF (before effecting insurance).

4. Maximum any one risk accepted by insurer

Report the maximum value of any one risk accepted by the insurer(s) of amount stated in item 3 above.

5. Highest risk retention

This is automatically calculated by the form and represents the difference between ’Maximum any one risk accepted by DMF’ and ‘Maximum any one risk accepted by insurer’.

6. Maximum event exposure

Report the value of the maximum event exposure based on total gross sum insured amounts for any one risk aggregated to determine the maximum per event exposure (as appropriate).

7. Maximum event loss

Report the value of the maximum event loss based on exposures as per item 6 above and applying your probable maximum loss methodology as applicable to determine your maximum event loss, before allowing for insurance recoveries.

8. Expected insurance recovery from maximum event loss

Report the value of the expected insurance recovery from maximum event loss.

9. Maximum event retention

This is automatically calculated by the form and represents the difference between ‘Maximum event loss’ and ‘Expected insurance recovery from maximum event loss’.

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 are 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 is covered 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 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. houseowners /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.