



13 April 2012

To chief executive officers of Level 2 insurance groups

Variation to instructions to the forms attached to GRS 210.1_G

In accordance with paragraph 16 of *GRS 210.1_G Premiums Liabilities - Insurance Risk Charge* (GRS 210.1_G), this letter provides written notice to parent entities of Level 2 insurance groups of a minor variation to the reporting instructions for form *GRF 210.1A_G Premiums Liabilities - Insurance Risk Charge - Australia by class of business* (GRF 210.1A_G) and form *GRF 210.1B_G Premiums Liabilities - Insurance Risk Charge - Australia by region* (GRF 210.1B_G).

The change is made pursuant to APRA's power under paragraph 15 of GRS 210.1_G to clarify the application of instructions to the forms without changing any substantive requirement in the form or instructions. As this is a minor variation and is within the scope of the power exercisable by APRA, GRS 210.1_G will not be re-lodged on the Federal Register of Legislative Instruments or the version of the reporting standard available on APRA's website. However the instructions on APRA's website will be updated to reflect the variation as described below. The instructions can be found at: <http://www.apra.gov.au/GI/ReportingFramework/Pages/GI-level-2-reporting-requirements.aspx>

The variation to the instructions is to clarify the calculation of the excess and deficit technical provision in Part A of GRF 210.1A_G and GRF 210.1B_G. This item represents the value of net insurance liabilities that are recognised under *AASB 1023 General Insurance Contracts* (AASB 1023) that are in excess or deficit of the premiums liabilities valued in accordance with *Prudential Standard GPS 310 Audit and Actuarial Reporting and Valuation*. The method for calculating this item is prescribed in the form instructions.

This calculation has inadvertently omitted 'other' items which form the total of AASB 1023 net premiums liabilities. This includes deferred reinsurance exchange commissions, unearned commission revenue and deferred levies and charges. This omission results in an inconsistency between the calculation of this item in the Level 1 individual insurer and Level 2 insurance groups reporting frameworks.

Consequently, APRA has made the attached adjustment to the prescribed calculation of excess and deficit technical provisions within the form instructions for GRF 210.1A_G and GRF 210.1B_G respectively. This adjustment applies to the calculation of both the Australian and International business excess or deficit technical provision as prescribed in the form instructions.

Should you have any queries in relation to this letter, please contact Kate Bible on 02 9210 3502.

Yours sincerely

Neil Grummitt
General Manager - Policy Development

Attachment 1 - Details of minor variations to the instructions to GRS 210.1_G

GRF 210.1A_G Instruction Guide, starting on page 14 (underlining represents the variation to instructions)

Excess and deficit technical provision (12)**

** Note that the 'other items which form the total of AASB 1023 net premiums liabilities' items set out below for both Australian and International business is included as part of the calculation of excess technical provisions. This variation is made under paragraph 15 of GRS 210.1_G. As such, it is not reflected in GRS 210.1_G.

Include in this item the value of net insurance liabilities that are recognised in GRF 302.0_G that are in excess of (positive value) or deficit to (negative value) the premiums liabilities valued in accordance with GPS 310 in part A. This is calculated on a net basis as per the following:

For Australian business, the excess in premiums liabilities is calculated using the following items **reported under 'Australian business'** in GRF 302.0_G, and any other items which form the total of AASB 1023 net premiums liabilities as outlined below:

- Item 13. 'Unearned Premium';
- Less sum of:
 - Item 3.5 'Deferred reinsurance expense'; plus
 - Item 3.7 'Deferred acquisition costs';
- Add Item 15 'Unexpired risk liability'
- Less the net value of any other items which form the total of AASB 1023 net premiums liabilities. This would include:
 - Deferred reinsurance exchange commissions;
 - Unearned commission revenue; and
 - Deferred levies and charges
- Less the net premiums liabilities on Australian business (direct and reinsurance business) as reported in GRF 210.1A_G.

The value of excess technical provisions is to be reported in the 'Total' table for Part A under:

- 'Total direct Australian business'; and
- 'Total Australian reinsurance business'.

For international business, the excess in premiums liabilities must be determined separately for each geographic region. This is calculated using the following items **reported under each geographic region** in GRF 302.0_G, and any other items which form the total of AASB 1023 net premiums liabilities as outlined below:

- Item 13. 'Unearned Premium';
- Less sum of:
 - Item 3.5 'Deferred reinsurance expense'; plus
 - Item 3.7 'Deferred acquisition costs';
- Add Item 15 'Unexpired risk liability'
- Less the net value of any other items which form the total of AASB 1023 net premiums liabilities. This would include:
 - Deferred reinsurance exchange commissions;
 - Unearned commission revenue; and
 - Deferred levies and charges
- Less the net premiums liabilities (on direct and reinsurance business) for the geographic region as reported in GRF 210.1A_G.

For each region, the value of excess technical provisions is to be reported in:

- table 2 for direct business; and
- table 4 for reinsurance business.

GRF 210.1B_G Instruction Guide, starting on page 14 (underlying represents the variation to instructions)

Excess and deficit technical provision (12)**

** Note that the 'other items which form the total of AASB 1023 net premiums liabilities' items set out below for both Australian and International business is included as part of the calculation of excess technical provisions. This variation is made under paragraph 15 of GRS 210.1 G. As such, it is not reflected in GRS 210.1 G.

Include in this item the value of net insurance liabilities that are recognised in GRF 302.0_G that are in excess of (positive value) or deficit to (negative value) the premiums liabilities valued in accordance with GPS 310 in part A. This is calculated on a net basis as per the following:

For Australian business, the excess in premiums liabilities is calculated using the following items **reported under 'Australian business'** in GRF 302.0_G and any other items which form the total of AASB 1023 net premiums liabilities as outlined below:

- Item 13. 'Unearned Premium';
- Less sum of:
 - Item 3.5 'Deferred reinsurance expense'; plus
 - Item 3.7 'Deferred acquisition costs';
- Add Item 15 'Unexpired risk liability'
- Less the net value of any other items which form the total of AASB 1023 net premiums liabilities. This would include:
 - Deferred reinsurance exchange commissions;
 - Unearned commission revenue; and
 - Deferred levies and charges
- Less the net premiums liabilities on Australian business (direct and reinsurance business) as reported in GRF 210.1B_G.

The value of excess technical provisions is to be reported in the 'Total' table for Part A under:

- 'Total direct Australian business'; and
- 'Total Australian reinsurance business'.

For international business, the excess in premiums liabilities must be determined separately for each geographic region. This is calculated using the following items **reported under each geographic region** in GRF 302.0_G and any other items which form the total of AASB 1023 net premiums liabilities as outlined below:

- Item 13. 'Unearned Premium';
- Less sum of:
 - Item 3.5 'Deferred reinsurance expense'; plus
 - Item 3.7 'Deferred acquisition costs';
- Add Item 15 'Unexpired risk liability'
- Less the net value of any other items which form the total of AASB 1023 net premiums liabilities. This would include:
 - Deferred reinsurance exchange commissions;
 - Unearned commission revenue; and
 - Deferred levies and charges
- Less the net premiums liabilities (on direct and reinsurance business) for the geographic region as reported in GRF 210.1B_G.

For each region, the value of excess technical provisions is to be reported in:

- table 2 for direct business; and
- table 4 for reinsurance business.