

Reporting Form GRF 301.0_G

Reinsurance Assets and Risk Charge (Level 2 Insurance Group)

Instruction Guide

Introduction

This Instruction Guide is designed to assist in the completion of *GRF 301.0_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)* ([GRF 301.0_G](#)).

[GRF 301.0_G](#) ~~*GRF 301.0_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)*~~ provides APRA with the necessary information on reinsurance assets¹ and to calculate the applicable risk charges on such assets in accordance with *Prudential Standard GPS 111 Capital Adequacy: Level 2 Insurance Groups (GPS 111)*.

Audit requirements

The annual return of [GRF 301.0_G](#) ~~*GRF 301.0_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)*~~ required under paragraphs 3 and 5(c) of *Reporting Standard GRS 301.0_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)* ([GRS 301.0_G](#)) must be subject to a limited assurance² review by the Group Auditor (see *Prudential Standard GPS 311 Audit and Actuarial Reporting and Valuation: Level 2 Insurance Groups (GPS 311)*).

The Group Auditor must prepare a review report on the basis of a limited assurance engagement in accordance with the requirements of GPS 311. Assurance in the review report will be provided in the form of negative assurance. To express negative assurance in the review report, the auditor will use limited procedures to obtain sufficient appropriate evidence. Enquiries of the Level 2 insurance group's staff and analytical procedures will be the primary tools used to obtain evidence. These procedures will not provide all the evidence that would be required in an audit.

The scope and nature of audit testing required is outlined in the Standard on Assurance Engagement ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Auditing and Assurance Standards Board.

¹ Reinsurance assets has the same meaning as in *Prudential Standard GPS 001 Definitions (GPS 001)*.

² Limited assurance is as defined in GPS 001.

Reporting entities

[GRF 301.0 G](#) ~~GRF 301.0_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)~~ is to be completed by the parent entity of a level 2 insurance group as defined under *Prudential Standard GPS 001 Definitions (GPS 001)*.

Consolidation at Level 2 should cover the Level 2 insurance group as defined under GPS 001.

Unit of measurement

This form is to be presented in Australian dollars (**AUD**), rounded to thousands of dollars, with no decimal place.

Amounts denominated in foreign currency are to be converted to AUD in accordance with Australian accounting standards.

Transactions arising under foreign currency derivative contracts at the reporting date must be prepared in accordance with Australian accounting standards.

Definitions

For Australian business³, report insurance business as per APRA-authorized insurer reporting. For international business⁴, only report insurance business deemed by APRA to be general insurance business.⁵ For prudential reporting purposes 'Level 1 Insurer' is as defined in GPS 001.

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

Reporting period

Level 2 insurance groups are required to report the information in the reporting form. This information is to be reported on three occasions in a Level 2 insurance group's financial year. A Level 2 insurance group is required to submit:

- semi-annual return which is to be completed in respect of each half year from the start of the financial year of the Level 2 insurance group; and
- an audited annual return which will be based on a limited assurance review by the Group Auditor (see Audit requirements).

The financial information requested in this form is to be reported as at the last day of the reporting period on a financial year to date basis of the Level 2 insurance group.

³ See GPS 001.

⁴ See GPS 001.

⁵ For the purposes of prudential reporting, Lloyd's syndicates are to be reported as international business.

Reporting lag

Submission times for Level 2 reporting forms are as follows (in accordance with [GRS 301.0_G](#) ~~[GRS 301.0_G Reinsurance Assets and Risk Charge](#)~~):

- The semi-annual return is to be lodged within three months after the end of the reporting period.
- The audited annual return is to be lodged within four months after the end of the reporting period.

Risk charge

The calculation of the applicable risk charges on a Level 2 insurance group's on-balance sheet exposures to reinsurance assets are based on the requirements in prudential standards [GPS 111](#) ~~[Prudential Standard GPS 111 Capital Adequacy: Level 2 Insurance Group \(GPS 111\)](#)~~ and [Prudential Standard GPS 114 Capital Adequacy: Investment Risk Capital Charge \(GPS 114\)](#). The aggregate of the risk charges calculated in this form is included in the calculation of the Level 2 insurance group's minimum capital requirement.

Adjustments

The parent entity of a Level 2 insurance group may apply in writing to APRA to vary the reporting requirements of [GRF 301.0_G](#) ~~[GRF 301.0_G Reinsurance Assets and Risk Charge](#)~~ in relation to that Level 2 insurance group. APRA may, at its discretion, approve such an application in writing.

Materiality

[GRF 301.0_G](#) ~~[GRF 301.0_G Reinsurance Assets and Risk Charge \(Level 2 Insurance Group\)](#)~~ is to be prepared based on the concept of materiality as applied in Australian accounting standards subject to APRA's discretion. APRA's discretion is likely to apply in instances where the application of materiality criteria is not suitable for prudential reporting purposes.

Australian and international business

Level 2 insurance groups are required to report financial data on both Australian and international exposures. 'Australian Business'⁶ means insurance business carried on by any Level 1 insurer within a Level 2 insurance group. 'International Business'⁷ is insurance business carried on by an entity within the group that is not authorised under the *Insurance Act 1973*. Therefore, for the purposes of prudential reporting, all insurance business written by Level 1 insurers⁸ is deemed to be Australian business. This treatment is different to the requirements of [Australian Accounting Standard AASB 1023 'General Insurance Contracts' \(AASB 1023\)](#).

⁶ See GPS 001

⁷ See GPS 001

⁸ Level 1 insurer means an individual insurer that is authorised under the Act and is part of a Level 2 insurance group. See GPS 001.

Basis of preparation

Level 2 insurance groups are requested to follow the Australian accounting standards regarding the definition, recognition and measurement of reinsurance assets, notably [AASB 1023](#), ~~AASB 1023 'General Insurance Contracts'~~, except where indicated otherwise in the instruction guide.

Reinsurance assets from non-APRA-authorized reinsurers

Different treatment is accorded to certain reinsurance assets⁹ from a 'non-APRA-authorized reinsurer'¹⁰ as specified in GPS 111 and GPS 114.

For Australian business, the applicable investment risk charge is calculated in accordance with GPS 111 based on whether the amount is recoverable from 'APRA-authorized reinsurers'¹¹ or non-APRA-authorized reinsurers. In addition, different investment risk charges apply to reinsurance recoverables from non-APRA-authorized reinsurers on and from the second annual balance date after the event giving rise to the reinsurance recoverable. These risk charges apply only to the extent that the reinsurance recoverables arise under reinsurance contracts incepting on or after 31 December 2008 and are not supported by collateral, guarantee or a letter of credit¹².

A different treatment is accorded to reinsurance assets for international business consolidated into the Level 2 insurance group. When calculating the investment risk capital charge on reinsurance assets for international business, paragraph 32 of GPS 111 requires that:

- (a) the investment capital factors set out in GPS 114 [as read with GPS 111](#) that apply specifically to reinsurance assets receivable from non-APRA authorized reinsurers do not apply in respect of those entities; and
- (b) the investment capital factors referable to reinsurance recoverables from APRA-authorized reinsurers must be used for all reinsurance assets of those entities.

The reinsurance recoverables on international business will, in effect, attract an investment risk capital charge according to the capital factors which apply to reinsurance recoverables from APRA-authorized reinsurers.

Where reinsurance recoverables are supported by collateral, guarantee or a letter of credit, only the risk charges applying to the counterparty providing the support will be applied.

For the purposes of determining the amount of reinsurance recoverables, if there is an offsetting arrangement between the Level 2 insurance group and the reinsurer that results in premium being withheld by the Level 2 insurance group in lieu of claim payments, the withholding of that premium is taken to be payment. However, if there

⁹ Subject to transition rules relating to such reinsurance recoverables.

¹⁰ Non-APRA-authorized reinsurers have the same meaning as in ~~Reporting Standard~~ GRS 301.0_G.

¹¹ APRA-authorized reinsurers have the same meaning as in ~~Reporting Standard~~ GRS 301.0_G.

¹² See paragraphs 23-26 of GPS 114

is a requirement for offsets to be approved by the reinsurer the date of the offset request is taken to be the date of the request for payment.

Limited Risk Transfer Arrangements

For Australian business a Limited Risk Transfer Arrangement that is approved by APRA as a reinsurance arrangement must be treated accordingly by the Level 2 insurance group for prudential purposes. A Limited Risk Transfer Arrangement that is approved by APRA as a financing arrangement must be accounted for by the Level 2 insurance group so that the arrangement will not misrepresent, or is not designed to disguise, a material risk to the Level 2 insurance group's current or continuing profitability, solvency or capital adequacy from any party.

The terms and conditions of the financing arrangement will determine the appropriate accounting treatment for prudential purposes.

Where APRA determines that a Limited Risk Transfer Arrangement is to be treated as a financing arrangement, the Level 2 insurance group must not treat the arrangement as reinsurance for the purpose of determining the minimum capital requirement under GPS 111 or as reinsurance for any other purpose.

For international business, while APRA will not be approving the arrangements, APRA expects the Level 2 insurance group to account for a Limited Risk Transfer Arrangement in a manner consistent with *Prudential Standard GPS 221 Risk Management: Level 2 Insurance Group (GPS 221)*.

Specific instructions

Amount

Amounts recorded are to be recognised in accordance with Australian accounting standards, notably [AASB 1023](#)~~AASB 1023 'General Insurance Contracts'~~ except where otherwise indicated.

Investment capital factor %

This column for each form discloses the appropriate investment capital factor for the asset type in accordance with GPS 111.

Investment risk charge

This column for each form will calculate the appropriate investment risk charge in accordance with GPS 111.

1. Reinsurance recoverables on outstanding claims and paid claims

Reinsurance recoverables has the same meaning as in GPS 001, where any amounts due to an insurer from a reinsurer that arises from the recognition of outstanding claims liabilities referred to in the capital standards¹³ and GPS 311. ~~This is distinguished from expected reinsurance recoveries and forms part of reinsurance assets.~~ Reinsurance recoverables on paid claims should also be recognised.

Reinsurance recoverables are to be reported on the same basis ~~by which outstanding claims liabilities are valued and reported in GRF 210.0_G Outstanding Claims Liability—Insurance Risk Charge (Level 2 Insurance Group), i.e. at a 75 per cent probability of sufficiency. That is, the amount recorded on this form may differ from~~ [as](#) the amount recorded on *GRF 300.0_G Statement of Financial Position (Level 2 Insurance Group) (GRF 300.0_G)* at item 3.4 or item 3.6. ~~particularly where Outstanding Claims Liability is recorded at a different probability of sufficiency in GRF 300.0_G.~~

Report assets which derive from reinsurance activities, other than unpaid premiums subject to the specific comments where a legal right of set-off exists.

Include the amount due from reinsurers or retrocessionaires. Reinsurance recoverables on outstanding claims is the reinsured portion of the outstanding claims to be recovered from reinsurers on settling the outstanding claims.

¹³. Capital standards has the same meaning as in GPS 001.

- Reinsurance Documentation Test

The amounts reported under items 1.3 to 1.6 should only include the amounts due from reinsurers under reinsurance contracts that meet the reinsurance documentation test¹⁴ (refer to *Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital (GPS 112)*).

Report the net amount on Australian business due from reinsurers under reinsurance contracts that do not meet the reinsurance documentation test in item 1.7.

Report the net amount related to reinsurance contracts on international business that do not meet relevant reinsurance documentation tests in a local jurisdiction (and a deduction is required in that jurisdiction) in item 1.9. As these amounts are deducted from capital, they do not attract a risk charge in [GRF 301.0 G](#) ~~*GRF 301.0 G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)*~~.

- Governing Law Requirements

For reinsurance contracts entered into by the Level 2 insurance group incepting on or after 31 December 2008, the amounts reported under items 1.3 to 1.6 should only include the amounts due from reinsurers where the contract meets the 'governing law requirements'¹⁵, specified in the *Prudential Standard GPS 230 Reinsurance Management (GPS 230)*. GPS 230 specifies that

- The governing law of the reinsurance contract is Australian law; and
- Any disputes that fall to be determined by a court are to be heard in an Australian court.

Report the net amount due from reinsurers under reinsurance contracts entered into by the Level 2 insurance group incepting on or after 31 December 2008 that do not meet the governing law requirements in item 1.8. As this amount is deducted from capital, it is not risk charged in [GRF 301.0 G](#) ~~*GRF 301.0 G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)*~~.

- Reinsurance receivables from non-APRA-authorized reinsurers overdue for more than six months

The amounts reported under items 1.4 and 1.5 should *not* include the amounts that are receivable from non-APRA-authorized reinsurers where the following paragraph applies:

¹⁴ Subject to transition rules relating to this deduction.

¹⁵ Governing law requirements are specified within paragraph 31 of *Prudential Standard GPS 230 Reinsurance Management (GPS 230)*.

GPS 114 [as read with GPS 111](#) specifies that with effect from [31 December 2008](#) ~~January 2009~~, applicable risk charge of 100% applies to a reinsurance recoverable due from non-APRA-authorized reinsurers if:

- The recoverable has become a receivable (i.e. it is due and payable); and
- The receivable is overdue for more than six months since a request for payment has been made to the reinsurer; and
- There is no formal dispute between the insurer and reinsurer in relation to that receivable. Any dispute between the insurer and reinsurer in relation to a receivable arising from a reinsurance recoverable would have been taken into account in the valuation processes provided for under GPS 311.

Report the amount of any receivable for which the above paragraph applies in item 1.6.

- Reinsurance assets from non-APRA-authorized reinsurers

As mentioned above, different investment risk charges are applicable to certain reinsurance recoverables¹⁶ due from non-APRA-authorized reinsurers calculated in accordance with GPS 111.

GPS 114 [as read with GPS 111](#) also applies different risk charges to reinsurance recoverables due from non-APRA-authorized reinsurers on and from the second annual balance date after the end of the financial year in which the event giving rise to each recoverable occurred.

In addition, GPS 111 applies a different treatment to reinsurance assets for international business consolidated into the Level 2 insurance group. As noted above, these assets attract the investment risk capital charges that apply to APRA-authorized reinsurers.

Disclosure is required as follows:

1.1 Net amounts recoverable from reinsurance contracts on outstanding claims and paid claims

Items 1.1.1 to 1.1.5 (inclusive) are to include amounts recoverable from both non-APRA-authorized reinsurers and APRA-authorized reinsurers. The amounts included under items 1.6 to 1.9 should also be included in the relevant items 1.1.1 to 1.1.5.

1.1.1 on Australian business;

Report the net amount (net of provision for doubtful debts) due from reinsurers on reinsurance contracts relating to outstanding claims and paid claims on Australian business.

¹⁶ Subject to transition rules relating to such reinsurance recoverables.

1.1.2 on international business;

Report the net amount due from reinsurers on reinsurance contracts relating to outstanding claims and paid claims on international business.

1.1.3 Inter-region elimination;

Report the value of inter-region transactions which are eliminated on consolidation. Eliminations that reduce the amount recoverable should be entered as a negative value.

1.1.4 Paid claims (all business); and

Report the net amount due from reinsurers on reinsurance contracts relating to paid claims on both Australian and international business. This item is to be reported net of any inter-region eliminations.

1.1.5 Outstanding claims liabilities (all business)

Report the net amount due from reinsurers on reinsurance contracts relating to outstanding claims liabilities on both Australian and international business. This item is to be reported net of any inter-region eliminations.

1.2 Net amount recoverable from reinsurance contracts on outstanding claims and paid claims on international business

Report the net amount recoverable from reinsurance contracts on international business. Include in this item reinsurance recoverables that are supported by collateral, guarantee or a letter of credit, according to the counterparty rating before application of the collateral, guarantee or letter of credit.

Where there is collateral, guarantee or a letter of credit supporting the reinsurance recoverable, the adjustment to the risk charge will be reflected in *GRF 131.0_G Off Balance Sheet Exposure (Level 2 Insurance Group)* ([GRF 131.0 G](#)).

Report the net amount recoverable according to their counterparty rating as follows:

1.2.1 Grade 1 or 2

1.2.2 Grade 3

1.2.3 Grade 4

1.2.4 Grade 5

1.3 Net amount recoverable from reinsurance contracts on outstanding claims and paid claims from APRA-authorised reinsurers on Australian business

Report the net amount recoverable on reinsurance contracts from APRA-authorised reinsurers on Australian business. Include in this item reinsurance recoverables that are supported by collateral, guarantee or a letter of credit, according to the counterparty rating before application of the collateral, guarantee or letter of credit.

Where there is collateral, guarantee or a letter of credit supporting the reinsurance recoverable, the adjustment to the risk charge will be reflected in [GRF 131.0](#) ~~GGRF 131.0_G Off Balance Sheet Exposure (Level 2 Insurance Group)~~.

Report the net amount recoverable according to their counterparty rating as follows:

1.3.1 Grade 1 or 2

1.3.2 Grade 3

1.3.3 Grade 4

1.3.4 Grade 5

1.4 Net amount recoverable from reinsurance contracts on outstanding claims and paid claims from non-APRA-authorised reinsurers on Australian business, except for amounts outstanding on and from second annual balance date after the event giving rise to the reinsurance recoverables

Report the net amount recoverable on reinsurance contracts and outstanding claims from non-APRA-authorised reinsurers on Australian business *except* for amounts relating to reinsurance contracts incepting on or after 31 December 2008 that are outstanding on and from second annual balance date after the event giving rise to the reinsurance recoverable. Include in this item reinsurance recoverables that are supported by collateral, guarantee or a letter of credit, according to the counterparty rating before application of the collateral, guarantee or letter of credit.

Where there is collateral, guarantee or a letter of credit supporting the reinsurance recoverable, the adjustment to the risk charge will be reflected in [GRF 131.0](#) ~~GGRF 131.0_G Off Balance Sheet Exposure (Level 2 Insurance Group)~~.

Disclose the amounts according to the reinsurer's counterparty rating:

1.4.1 Grade 1 or 2

1.4.2 Grade 3

1.4.3 Grade 4

1.4.4 Grade 5

1.5 Net amount recoverable from reinsurance contracts on outstanding claims and paid claims from non-APRA- authorised reinsurers, on Australian business, that are amounts outstanding *on and from* second annual balance date after the event giving rise to the reinsurance recoverables

Report the net amount recoverable on reinsurance contracts on Australian business incepting *on or after* 31 December 2008 from non-APRA- authorised reinsurers that are amounts outstanding *on and from* the second annual balance date after the event giving rise to the reinsurance recoverables *regardless of* whether the reinsurance recoverables are supported by collateral, guarantee or a letter of credit, according to the counterparty rating before application of the collateral, guarantee or letter of credit.

Where there is collateral, guarantee or a letter of credit supporting the reinsurance recoverable, the adjustment to the risk charge will be reflected in [GRF 131.0](#) ~~*GGRF 131.0_G Off Balance Sheet Exposure (Level 2 Insurance Group)*~~.

Note: The disclosure relating to amounts which are supported by security arrangements in Australia requests disclosure of the net amounts to the extent that the reinsurance recoverables *are supported* by collateral, guarantee or a letter of credit. These are to be reported against the counterparty rating as if the security arrangements were not in place.

Disclose the amounts according to the reinsurer's counterparty rating:

1.5.1 Grade 1

1.5.1.1 Of which supported by security arrangements in Australia

1.5.2 Grade 2

1.5.2.1 Of which supported by security arrangements in Australia

1.5.3 Grade 3

1.5.3.1 Of which supported by security arrangements in Australia

1.5.4 Grade 4

1.5.4.1 Of which supported by security arrangements in Australia

1.5.5 Grade 5

1.5.5.1 *Of which supported by security arrangements in Australia*

Amounts reported under items 1.6 to 1.8 should only be reported under one of those items, in order to avoid double-counting.

1.6 Net amount recoverable on Australian business from non-APRA-authorized reinsurers which are overdue for more than 6 months

Report the net amount recoverable on Australian business on reinsurance contracts due from non-APRA-authorized reinsurers, if:

- (a) the recoverable has become a receivable (i.e. it is due and payable); and
- (b) the receivable is overdue for more than six months since a request for payment has been made to the reinsurer; and
- (c) there is no formal dispute between the insurer and reinsurer in relation to that receivable¹⁷.

1.7 Net amount related to reinsurance contracts on Australian business that do not meet the reinsurance documentation test

Reinsurance assets under each reinsurance arrangement that do not meet the reinsurance documentation test as specified in paragraph 33 of GPS 112 will be deducted from Tier 1 capital of the Level 2 insurance group. ~~If a Level 1 insurer of a Level 2 insurance group has not complied with the threshold levels of reinsurance documentation set out paragraph 3.5(b) of GPS 112, during the first and second transition periods,¹⁸ then all reinsurance assets¹⁹ of the Level 1 insurer are to be deducted from the Tier 1 capital of the Level 2 insurance group.~~ Note, the reinsurance documentation test applies on an insurer level. Any deductions required at Level 1, as a result of reinsurance contracts that do not meet the reinsurance documentation test, will also be deducted at Level 2. Hence, the aggregate amount deducted from the Tier 1 capital of the Level 2 insurance group in relation to reinsurance assets from reinsurance contracts that do not meet the reinsurance documentation test will be the sum of the corresponding deductions required for Level 1 insurers.

~~Compliance with the thresholds for a Level 1 insurer is assessed by calculating the percentage of reinsurance assets that are derived from~~

¹⁷ See GPS 114

¹⁸ ~~Refer to paragraph 35(a) of Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital (GPS 112) for transition period dates.~~

¹⁹ ~~Reinsurance assets has the same meaning as in GPS 001 and refers to reinsurance assets net of doubtful debts.~~

~~reinsurance arrangements meeting the reinsurance documentation test compared with total reinsurance assets of the Level 1 insurer.~~

~~A reinsurance arrangement meets the reinsurance documentation test if it satisfies the requirements in paragraph 36 of GPS 1 *For Australian business, after the second transition period, reinsurance assets receivable under each reinsurance arrangement that do not meet the reinsurance documentation test will be deducted from the Tier 1 capital of the Level 2 insurance group.*~~ Report the net amount related to reinsurance contracts that do not meet the reinsurance documentation test. This includes reinsurance assets relating to reinsurance contracts that do meet the reinsurance documentation tests, but are required to be deducted from capital under paragraph 25(1) of GPS 112. This amount is deducted from capital, as such it is not risk charged in [GRF 301.0 G](#) ~~*GRF 301.0 G Reinsurance Assets and Risk Charge (Level 2 Insurance Group).*~~

1.8 Net amount recoverable under reinsurance contracts on Australian business that do not meet governing law requirements

Report the net amounts due from reinsurers under reinsurance contracts on Australian business entered into by the Level 2 insurance group incepting on or after 31 December 2008 that *do not* meet the ‘governing law requirements’²⁰, specified in GPS 230.

This amount is deducted from capital, as such it is not risk charged in [GRF 301.0 G](#) ~~*GRF 301.0 G Reinsurance Assets and Risk Charge (Level 2 Insurance Group).*~~

1.9 Net amount related to reinsurance contracts on international business that do not meet relevant reinsurance documentation tests in a local jurisdiction (and a deduction is required in that jurisdiction)

Report the net amount related to reinsurance contracts on international business that do not meet relevant reinsurance documentation tests in a local jurisdiction (and a deduction is required in that jurisdiction).

This amount is deducted from capital, as such it is not risk charged in [GRF 301.0 G](#) ~~*GRF 301.0 G Reinsurance Assets and Risk Charge (Level 2 Insurance Group).*~~

²⁰

Governing law requirements are specified within paragraph 31 of GPS 230.

2. ~~Expected recoveries on premium liabilities~~

~~Do not complete this section for premium liabilities that are reported on a AASB basis.~~

~~Where premiums liabilities have been reported on the *Prudential Standard GPS 310 Audit and Actuarial Reporting and Valuation (GPS 310)* basis in *GRF 210.1_G Premiums Liabilities – Insurance Risk Charge (Level 2 Insurance Group)*, the expected reinsurance recoveries on these premiums liabilities are to be reported under item 2 'Expected reinsurance recoveries on premiums liabilities'.~~

~~'Expected reinsurance recoveries' has the same meaning as in GPS 001.~~

~~Where advice of an Appointed Actuary is required in regard to the valuation of the premiums liabilities, the Appointed Actuary should also consider the estimation of the expected reinsurance recoveries on the premiums liabilities recognised. Actuarial judgement should be used in the application of the principles of GPS 311 in those circumstances.~~

~~Expected reinsurance recoveries do not include other forms of reinsurance assets or other form of non reinsurance recoveries. Non reinsurance recoveries are amounts that may be recovered under arrangements other than reinsurance arrangements. These include salvage and subrogation.~~

~~Recognition of expected reinsurance recoveries on premiums liabilities will vary according to the type of reinsurance contract:~~

~~—— **Proportional reinsurance and all facultative**~~

~~Expected reinsurance recoveries on premiums liabilities are to be recognised, by the Level 2 insurance group, from the date the underlying risk is accepted and the outwards reinsurance expense is recognised.~~

~~—— **Excess of loss**~~

~~Where excess of loss reinsurance is used, the recognition depends on the basis of the cover being either on a 'risks attaching during the period of reinsurance' basis or 'losses occurring during the period of insurance' basis.~~

~~*'Losses occurring during the period of reinsurance':*~~

~~Where the risk profile is evenly distributed throughout the year, the Level 2 insurance group must recognise 50 per cent of the expected reinsurance recoveries in the current period. The expected reinsurance recoveries for the remaining 50 per cent of the period are to be recognised at the midpoint of the period for the reinsurance cover. Where the risk profile is not evenly distributed throughout the year, the Level 2 insurance group will need to recognise the apportionment of expected reinsurance recoveries on the same business pattern as their risk profile. For seasonal business, with all policies incepting on the one date, all expected reinsurance recoveries will need to be recognised from the date of acceptance by the reinsurer(s) of the reinsurance contract.~~

~~**'Risks attaching during the period of reinsurance':**~~

~~For these contracts, the expected reinsurance recoveries are to be recognised on the date of acceptance by the reinsurer.~~

~~'Expected reinsurance recoveries' are to be allocated according to the counterparty grades set out below and in the form, which are detailed in GPS 114. The investment risk charge will be calculated based on the capital factor applicable to the rating grades.~~

~~Note: the amounts recorded in item 2.3 and 2.4 should not include expected recoveries from reinsurance contracts that do not fully meet the reinsurance documentation tests in GPS 112²¹. Instead this should be reported under item 2.5. For international business, where a deduction is required in a local jurisdiction, these amounts should be reported under item 2.7. Also do not include expected recoveries from reinsurance contracts that do not meet the governing law requirements in items 2.3 to 2.4. Instead report the amount under item 2.6. Since these amounts are deducted from capital, they do not attract a risk charge in GRF 301.0 G Reinsurance Assets and Risk Charge (Level 2 Insurance Group).~~

~~Disclosure is required as follows:~~

~~**2.1—Expected reinsurance recoveries on premium liabilities attributed to:**~~

~~Items 2.1.1 to 2.1.3 are to include expected reinsurance recoveries from both non-APRA authorised reinsurers and APRA authorised reinsurers.~~

~~**2.1.1—Australian business;**~~

~~Report the expected reinsurance recoveries on premiums liabilities attributed to Australian business.~~

~~**2.1.2—International business;**~~

~~Report the expected reinsurance recoveries on premiums liabilities attributed to international business.~~

~~**2.1.3—Inter-region elimination;**~~

~~Report the value of inter region transactions which are eliminated on consolidation. Eliminations that reduce the amount recoverable should be entered as a negative value.~~

²¹ ~~Reinsurance assets relating to reinsurance contracts that do meet the reinsurance documentation tests, but are required to be deducted from capital under paragraph 25(1) of GPS 112, should also not be included~~

~~2.2 Expected reinsurance recoveries on international business~~

~~GPS 111 applies a different treatment to reinsurance assets for international business consolidated into the Level 2 insurance group. As noted above, these assets attract the investment risk capital charges that apply to APRA authorised reinsurers.~~

~~Report the expected reinsurance recoveries on premiums liabilities associated with international business. Include in this item expected reinsurance recoveries that are supported by collateral, guarantee or a letter of credit, according to the counterparty rating before application of the collateral, guarantee or letter of credit.~~

~~Where there is collateral, guarantee or a letter of credit supporting expected reinsurance recoveries, the adjustment to the risk charge will be reflected in *GRF 131.0_G Off Balance Sheet Exposure (Level 2 Insurance Group)*.~~

~~Report the expected reinsurance recoveries on premiums liabilities according to their counterparty rating as follows:~~

~~2.2.1 Grade 1 or 2~~

~~2.2.2 Grade 3~~

~~2.2.3 Grade 4~~

~~2.2.4 Grade 5~~

~~2.3 Expected reinsurance recoveries attributed to APRA- authorised reinsurers on Australian business~~

~~Report the amount of expected reinsurance recoveries on premiums liabilities (on Australian business) due from APRA authorised reinsurers. Include in this item expected reinsurance recoveries that are supported by collateral, guarantee or a letter of credit, according to the counterparty rating before application of the collateral, guarantee or letter of credit.~~

~~Where there is collateral, guarantee or a letter of credit supporting expected reinsurance recoveries, the adjustment to the risk charge will be reflected in *GRF 131.0_G Off Balance Sheet Exposure (Level 2 Insurance Group)*.~~

~~Disclose the amounts according to the reinsurer's counterparty rating as follows:~~

~~2.3.1 Grade 1 or 2~~

~~2.3.2 Grade 3~~

~~2.3.3 Grade 4~~

~~2.3.4 Grade 5~~

~~2.4 Expected reinsurance recoveries attributed to non-APRA- authorised reinsurers on Australian business~~

~~Through GPS 111 and the application of other applicable Prudential Standards, different investment risk charge apply to reinsurance assets due from non-APRA authorised reinsurers.~~

~~Report the amount of expected reinsurance recoveries on premiums liabilities (on Australian business) due from non-APRA authorised reinsurers. Include in this item expected reinsurance recoveries that are supported by collateral, guarantee or a letter of credit, according to the counterparty rating before application of the collateral, guarantee or letter of credit.~~

~~Where there is collateral, guarantee or a letter of credit supporting expected reinsurance recoveries, the adjustment to the risk charge will be reflected in *GRF 131.0_G Off Balance Sheet Exposure (Level 2 Insurance Group)*.~~

~~Disclose the amounts according to the reinsurer's counterparty rating as follows:~~

~~2.4.1 Grade 1 or 2~~

~~2.4.2 Grade 3~~

~~2.4.3 Grade 4~~

~~2.4.4 Grade 5~~

~~Amounts reported under items 2.5 to 2.6 should only be reported under one of those items, in order to avoid double counting.~~

~~2.5 Expected reinsurance recoveries related to reinsurance contracts on Australian business that do not meet the reinsurance documentation test~~

~~Report the net amount of expected reinsurance recoveries (on Australian business) related to reinsurance contracts that do not meet the reinsurance documentation test.~~

~~As this amount is deducted from capital, it does not attract a risk charge in *GRF 301.0_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)*.~~

~~2.6 Expected reinsurance recoveries related to reinsurance contracts on Australian business that do not meet governing law requirements~~

~~Report the net amount of expected reinsurance recoveries (on Australian business) under reinsurance contracts that do not meet the governing law requirements.~~

~~As this amount is deducted from capital, it does not attract a risk charge in GRF 301.0_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group).~~

~~2.7 Expected reinsurance recoveries related to reinsurance contracts on international business that do not meet relevant reinsurance documentation tests in a local jurisdiction (and a deduction is required in that jurisdiction)~~

~~Report the net amount of expected reinsurance recoveries related to reinsurance contracts on international business that do not meet relevant reinsurance documentation tests in a local jurisdiction (and a deduction is required in that jurisdiction).~~

~~As this amount is deducted from capital, it does not attract a risk charge in GRF 301.0_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group).~~

~~2.8 Expected non-reinsurance recoveries on premium liabilities attributed to:~~

~~Items 2.8.1 to 2.8.3 are to include expected non-reinsurance recoveries from both non-APRA authorised reinsurance and APRA authorised reinsurers.~~

~~2.8.1 Australian business;~~

~~Report the expected non-reinsurance recoveries on premiums liabilities attributed to Australian business.~~

~~2.8.2 International business;~~

~~Report the expected non-reinsurance recoveries on premiums liabilities attributed to international business.~~

~~2.8.3 Inter-region elimination;~~

~~Report the value of inter-region transactions which are eliminated on consolidation. Eliminations that reduce the amount recoverable should be entered as a negative value.~~

~~2.9 Expected non-reinsurance recoveries on premium liabilities that are from counterparties with a rating of:~~

~~Report the expected non-reinsurance recoveries on premiums liabilities according to their counterparty rating as follows:~~

~~2.9.1 Grade 1 or 2~~

~~2.9.2 Grade 3~~

~~2.9.3 Grade 4~~

~~2.9.4 Grade 5~~

3.2. Deferred reinsurance expense

~~Do not complete this section for premium liabilities that are reported on a GPS 310 basis.~~

~~Where premiums liabilities have been reported using the AASB basis in GRF 210.1_G Premiums Liabilities—Insurance Risk Charge (Level 2 Insurance Group), the deferred reinsurance expenses associated with these premiums liabilities are to be reported under item 3 'Deferred reinsurance expense'.~~

~~Deferred reinsurance expense is to be recognised consistent with the requirements of the Australian accounting standards, in particular AASB 1023 'General Insurance Contracts'. Report the value, as at the reporting date, of deferred reinsurance expense (DRE), determined in accordance with prudential standards.~~

3.1 2.1 Deferred reinsurance expense attributed to:

Items 23.1.1 to 23.1.3 are to include deferred reinsurance expense related to both non-APRA-authorized reinsurers and APRA-authorized reinsurance.

Report the total of deferred reinsurance expense attributed to:

~~3.1.1 2.1.1 Australian business;~~

~~3.1.2 2.1.2 International business; and~~

~~3.1.3 2.1.3 Inter-region elimination.~~

Report the value of inter-region transactions which are eliminated on consolidation. Any elimination reported should be entered as a negative value.

Amounts reported under items 23.5 to 23.7 should not be reported under items 23.2 to 23.4.

3.2 2.2 Deferred reinsurance expense on international business

Report the amount of deferred reinsurance expense on international business attributed to a counterparty of:

~~3.2.1~~ 2.2.1 Grade 1 or 2

~~3.2.2~~ 2.2.2 Grade 3

~~3.2.3~~ 2.2.3 Grade 4

~~3.2.4~~ 2.2.4 Grade 5

**~~3.3~~ 2.3 Deferred reinsurance expense attributed to APRA-
authorised reinsurers on Australian business**

Report the amount of deferred reinsurance expense attributed to APRA-
authorised reinsurers on Australian business according to the following
counterparty grades.

~~3.3.1~~ 2.3.1 Grade 1 or 2

~~3.3.2~~ 2.3.2 Grade 3

~~3.3.3~~ 2.3.3 Grade 4

~~3.3.4~~ 2.3.4 Grade 5

Amounts reported under items ~~3.2~~ 3.2.5 to ~~3.2~~ 3.2.6 should only be reported under
one of those items, in order to avoid double-counting.

**~~3.4~~ 2.4 Deferred reinsurance expense attributed to non-APRA-
authorised reinsurers on Australian business**

Report the amount of deferred reinsurance expense attributed to non-
APRA-authorised reinsurers on Australian business according to the
following counterparty grades.

~~3.4.1~~ 2.4.1 Grade 1 or 2

~~3.4.2~~ 2.4.2 Grade 3

~~3.4.3~~ 2.4.3 Grade 4

~~3.4.4~~ 2.4.4 Grade 5

3.52.5 Deferred reinsurance expense related to reinsurance contracts on Australian business that do not meet the reinsurance documentation test

Report the deferred reinsurance expense related to reinsurance contracts on Australian business that do not meet the reinsurance documentation test. As this amount is deducted from capital, it does not attract a risk charge in [GRF 301.0](#) ~~*GRF 301.0_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)*~~.

3.62.6 Deferred reinsurance expense related to reinsurance contracts on Australian business that do not meet governing law requirements

Report the deferred reinsurance expense related to reinsurance contracts on Australian business that do not meet the governing law requirements. As this amount is deducted from capital, it does not attract a risk charge in [GRF 301.0](#) ~~*GRF 301.0_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)*~~.

3.72.7 Deferred reinsurance expense related to reinsurance contracts on international business that do not meet relevant reinsurance documentation tests in a local jurisdiction (and a deduction is required in that jurisdiction)

Report the deferred reinsurance expense related to reinsurance contracts on international business that do not meet relevant reinsurance documentation tests in a local jurisdiction (and a deduction is required in that jurisdiction).

As this amount is deducted from capital, it does not attract a risk charge in [GRF 301.0](#) ~~*GRF 301.0_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)*~~.

4.3. Other reinsurance assets receivable from reinsurers

For Australian business, a different investment risk capital charge applies to certain reinsurance assets²² due from non-APRA-authorized reinsurers calculated in accordance with GPS 111. The applicable investment risk charge is based on whether the amount is recoverable from APRA-authorized reinsurers or non-APRA-authorized reinsurers. In addition, GPS 111 applies a different treatment to reinsurance assets for international business consolidated into the Level 2 insurance group. For these entities, the reinsurance assets attract the investment risk capital charges that apply to APRA-authorized reinsurers.

²² Subject to transition rules relating to such reinsurance assets.

4.1.3.1 Net amount of other reinsurance assets

Report any other asset not reported in items 1 or ~~2 or 3~~, which relates to reinsurance, including deposits retained by reinsurers. This should include amounts that do not meet the reinsurance documentation test and amounts that do not meet the governing law requirements.

Report the net amount of other reinsurance assets attributed to:

~~4.1.13.1.1~~ 4.1.23.1.1 Australian business;

~~4.1.23.1.2~~ 4.1.33.1.2 International business; and

~~4.1.33.1.3~~ 4.1.43.1.3 Inter-region elimination.

Report the value of inter-region transactions which are eliminated on consolidation. Any elimination reported should be entered as a negative value.

Amounts reported under items 34.5 to 34.7 should not be reported under items 34.2 to 34.4.

4.2.3.2 Net amount of other reinsurance assets on international business

Report the net amount of other reinsurance assets receivable from reinsurers on international business according to their counterparty rating.

~~4.2.1.3.2.1~~ 4.2.2.3.2.1 Grade 1 or 2

~~4.2.2.3.2.2~~ 4.2.3.3.2.2 Grade 3

~~4.2.3.3.2.3~~ 4.2.4.3.2.3 Grade 4

~~3.1.13.2.4~~ 3.1.23.2.4 Grade 5

4.3.3.3 Net amount of other reinsurance assets on Australian business receivable from APRA-authorized reinsurers

Report the net amount of other reinsurance assets on Australian business receivable from APRA-authorized reinsurers according to their counterparty ratings as follows:

~~4.3.1.3.3.1~~ 4.3.2.3.3.1 Grade 1 or 2

~~4.3.2.3.3.2~~ 4.3.3.3.3.2 Grade 3

~~4.3.3.3.3.3~~ 4.3.4.3.3.3 Grade 4

~~4.3.4.3.3.4~~ 4.3.5.3.3.4 Grade 5

4.4.3.4 Net amount of other reinsurance assets on Australian business receivable from non-APRA-authorised reinsurers

Report the net amount of other reinsurance assets on Australian business receivable from non-APRA-authorised reinsurers according to their counterparty ratings as follows:

~~3.5.1.~~[3.4.1](#) Grade 1 or 2

~~3.5.2.~~[3.4.2](#) Grade 3

~~3.5.3.~~[3.4.3](#) Grade 4

~~3.5.4.~~[3.4.4](#) Grade 5

Amounts reported under items [43.5](#) to [43.6](#) should only be reported under one of those items, in order avoid double-counting.

4.5.3.5 Net amounts related to reinsurance contracts on Australian business that do not meet the reinsurance documentation test

The treatment of other reinsurance assets on Australian business which relate to reinsurance contracts that do not meet the reinsurance documentation will be similar to the treatment of item 1.7.

Report the net amount related to reinsurance contracts that do not meet the reinsurance documentation test. As this amount is deducted from capital, it does not attract a risk charge in [GRF 301.0 G](#)~~[GRF 301.0_G Reinsurance Assets and Risk Charge \(Level 2 Insurance Group\)](#)~~.

4.6.3.6 Net amounts related to reinsurance contracts on Australian business that do not meet governing law requirements

The treatment of other reinsurance assets on Australian business which relate to reinsurance contracts that do not meet the governing law requirements under GPS 221, will be similar to the treatment of item 1.8.

Report the net amount of recoveries under reinsurance contracts that do not meet governing law requirements. As this amount is deducted from capital, it does not attract a risk charge in [GRF 301.0 G](#)~~[GRF 301.0_G Reinsurance Assets and Risk Charge \(Level 2 Insurance Group\)](#)~~.

4.7.3.7 Net amounts related to reinsurance contracts on international business that do not meet relevant reinsurance documentation tests in a local jurisdiction (and a deduction is required in that jurisdiction)

Report the net amount related to reinsurance contracts on international business that do not meet relevant reinsurance documentation tests in a local jurisdiction (and a deduction is required in that jurisdiction).

As this amount is deducted from capital, it does not attract a risk charge in GRF 301.0_G~~GRF 301.0_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)~~.

5.4. Net reinsurance assets

This is automatically calculated by the form and represents the sum of the net reinsurance assets reported in items 1.1, 2.1,~~3.1~~ and 34.1. ~~Note this may not reconcile to GRF 300.0_G Statement of Financial Position (Level 2 Insurance Groups) where outstanding claims liabilities are recorded on a different basis on GRF 210.0_G and/or where premiums liabilities are recorded on a different basis on GRF 210.1_G.~~