

# Reporting Form GRF 210.1B\_G

## Premiums Liabilities – Insurance Risk Charge – Australia by region (Level 2 Insurance Group)

### Instruction Guide

#### Introduction

This instruction guide is designed to assist in the completion of *GRF 210.1B\_G Premiums Liabilities – Insurance Risk Charge – Australia by region (Level 2 Insurance Group)* (GRF 210.1B\_G).

The form can be used to calculate the risk capital charge associated with the Level 2 insurance group's premiums liabilities in accordance with *Prudential Standard GPS 111 Capital Adequacy: Level 2 Insurance Groups* (GPS 111).

#### Audit requirements

The annual return of GRF 210.1B\_G ~~*GRF 210.1\_G Premiums Liabilities – Insurance Risk Charge (Level 2 Insurance Group)*~~ required under paragraphs 3(b) and 5(c) of *Reporting Standard GRS 210.1B\_G Premiums Liabilities – Insurance Risk Charge – Australia by region (GRS 210.1B\_G)* must be subject to a limited assurance<sup>1</sup> 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.

#### Reporting entities

GRF 210.1B\_G ~~*GRF 210.1\_G Premiums Liabilities – Insurance Risk Charge (Level 2 Insurance Group)*~~ is to be completed by the parent entity of a Level 2 insurance group as defined in *Prudential Standard GPS 001 Definitions* (GPS 001) where the Level 2

<sup>1</sup> Limited assurance is as defined in *Prudential Standard GPS 001 Definitions* (GPS 001).

insurance group has a reporting adjustment under paragraph 3(b) of GRS 210.1 G to report on an 'Australia by region' rather than 'Australia by class' basis. If the Level 2 insurance group does **not** have a reporting adjustment under paragraph 3(b) of GRS 210.1 G, it must complete *GRF 210.1A G Premiums Liabilities – Insurance Risk Charge – Australia by class of business (Level 2 Insurance Group) (GRF 210.1A G)*.

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

## Definitions

For Australian business<sup>2</sup>, report insurance business as per APRA-authorized insurer reporting. For international business<sup>3</sup>, only report insurance business deemed to be general insurance business.<sup>4</sup> For prudential reporting purposes 'Level 1 Insurer' is as defined in GPS 001.

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

## 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 APRA's expectations under *Prudential Standard GPS 221 Risk Management: Level 2 Insurance Groups* ~~(GPS 221)~~.

## Unit of measurement

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

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<sup>2</sup> See GPS 001.

<sup>3</sup> See GPS 001.

<sup>4</sup> For the purposes of prudential reporting, Lloyd's syndicates are to be reported as international business.

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.

## Materiality

[GRF 210.1B\\_G](#) ~~[GRF 210.1\\_G Premiums Liabilities—Insurance Risk Charge \(Level 2 insurance group\)](#)~~ ~~[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.

## 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.

## Reporting lag

Submission times for Level 2 reporting forms are as follows (in accordance with [GRS 210.1B\\_G](#) ~~[GRS 210.1\\_G Premiums Liabilities—Insurance 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.

## Adjustments

The parent entity of a Level 2 insurance group may apply in writing to APRA to vary the reporting requirements of [GRF 210.1B\\_G](#) ~~[GRF 210.1\\_G Premiums Liabilities—Insurance Risk Charge \(Level 2 Insurance Group\)](#)~~ in relation to that Level 2 insurance group. APRA may, at its discretion, approve such an application in writing.

## Basis of preparation

Level 2 insurance groups are to complete this form in accordance with GPS 311. The form may be completed in three possible ways. The method is to be determined in consultation with APRA. The possible methods are:

1. Report premiums liabilities in accordance with the requirements of *Prudential Standard GPS 310 Audit and Actuarial Reporting and Valuation (GPS 310)*.<sup>5</sup> In respect of Australian business, the premiums liabilities valuation should be the same as that applicable to an insurer under GPS 310 subject to identified consolidation adjustments such as intra-group transactions and diversification.
2. Report equivalent accounting entries subject to a liability adequacy test (applied at the class of business level for Australian business and at the geographic region level for international business) in accordance with GPS 311. Reporting Australian business in this manner requires APRA approval under GPS 311.
3. Use a combination of the methods set out in 1 and 2. Where any Australian business is to be reported using method 2, APRA's approval is required in accordance with GPS 311.

Note that the choice of method 2 or method 3 will affect the level of excess technical provisions that can be recognised as part of Tier 1 capital on *GRF 120.0\_G Determination of Capital Base (Level 2 Insurance Group) (GRF 120.0 G)*. APRA will only allow the recognition of excess technical provisions (in respect of premiums liabilities) that represent the difference between premiums liabilities calculated in accordance with GPS 310 and the following equivalent values recorded in *GRF 302.0\_G Statement of Financial Position by Region (Level 2 Insurance Group) (GRF 302.0 G)*:

- Item 13 'Unearned premiums liabilities'; less
- Item 3.5 'Deferred reinsurance expense'; less
- ~~Less item 3.5.1 'Deferred reinsurance expense in relation to current policies';~~
- ~~Less~~ Item 3.7 'Deferred acquisition costs'; plus and
- ~~Add~~ Item 15 'Unexpired risk liability'.

The recognition of excess technical provisions must be as per paragraph 16(a)(v) of *Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital (GPS 112)*.

<sup>5</sup> Paragraph 39 of *Prudential Standard GPS 311 Audit and Actuarial Reporting and Valuation: Level 2 Insurance Groups (GPS 311)* provides for insurance liabilities to be determined in a manner consistent with that set out in *Prudential Standard GPS 310 Audit and Actuarial Reporting and Valuation. (GPS 310)*.

Where there is reinsurance between regions, regions are to be reported on a separate basis. That is, the region directly assuming the risks must report as direct business. The reinsuring region should treat this as direct business as well.

Where reinsurance occurs between entities in one region, the reinsurance transaction is to be eliminated on consolidation within the region reported.

Consolidation adjustments for intra-group reinsurance transactions between entities in different regions should be reported under 'Group adjustments' in Part **DE** of this form.

### **International business**

Level 2 insurance groups are required to report financial data on both Australian and international exposures. For the purposes of segment reporting, Level 2 insurance groups are not to follow the requirements under the Australian accounting standards when completing this form.

For prudential reporting purposes, 'Australian Business'<sup>6</sup> means insurance business carried on by any Level 1 insurer within a Level 2 insurance group. Therefore, all insurance business written by Level 1 insurers is deemed to be Australian business. 'International Business'<sup>7</sup> is insurance business carried on by an entity within the group that is not authorised under the *Insurance Act 1973*. This treatment is different to the requirements of *Australian Accounting Standard AASB 1023 'General Insurance Contracts'* (**AASB 1023**) and other Australian accounting standards.

Level 2 insurance groups are required to report according to the regions which most appropriately reflects the business and/or operational segments of the group. International business is to be reported according to the following regions:

- New Zealand;
- South East Asia;
- Asia Pacific;
- USA
- Americas;
- UK/Europe; and
- Other.

~~International business should not be reported under the 'Australia' region.<sup>8</sup>~~

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<sup>6</sup> See GPS 001

<sup>7</sup> See GPS 001

~~<sup>8</sup> That is, international business should not be reported in the first row (titled 'Australia') of tables 2, 4, 6 and 8.~~

Level 2 insurance groups are required to report according to the regions which most appropriately reflect the business and/or operational segments of the group.

Once regions are defined, they should generally be maintained thereafter for consistency. However, this does not prevent the Level 2 insurance group from altering its reporting regions where necessary, provided APRA is notified of any changes.

### Reporting supplement

~~Unless approved otherwise by APRA, t~~This form ~~will~~ requires the premiums liabilities of Australian business of the Level 2 insurance group to be reported by ~~class of business written as a single region~~ and the international business to be reported by region. For ~~both Australian and international business (and Australian business reported as a single region where approved by APRA)~~, while class of business is not required to be reported on the form, Level 2 insurance groups are expected to map their business to the ~~Australian~~ classes of business ~~defined in GPS 001~~ in order to assign an insurance risk capital charge. The details of the mapping and the calculation of the insurance risk capital charge for ~~Australian and international business (and Australian business reported as a single region where approved by APRA)~~, are to be provided as supplementary information. Level 2 insurance groups will be able to choose the format for this supplementary information. The reporting supplement is to accompany the submission of this form, unless instructed otherwise by APRA. The reporting supplement is to be submitted to the Level 2 insurance group's APRA Responsible Supervisor.

### Liability adequacy test

Where a Level 2 insurance group reports premiums liabilities based on accounting entries, the adequacy of the premiums liabilities must be assessed via a Liability Adequacy Test (LAT). The LAT must be applied to net premiums liabilities (unearned premium less deferred acquisition costs less deferred reinsurance expense plus unexpired risk liabilities recognised in accordance with Australian Accounting Standards) at a 75% level of sufficiency in accordance with GPS 311 Attachment A paragraphs 6 and 7. This treatment is different to the requirements of ~~AASB 1023 'General Insurance Contracts'~~. For international business, the LAT must be applied to each geographic region. Where APRA has determined that a Level 2 insurance group may report premiums liabilities for Australian business using accounting entries, the LAT for Australian business must be applied at the class of business level. This treatment is different to the requirements of ~~AASB 1023 'General Insurance Contracts'~~.

## Specific instructions

GRF 210.1B\_G ~~GRF 210.1\_G Premiums Liabilities – Insurance Risk Charge (Level 2 Insurance Group)~~ is comprised of the following.

- Part A: Premiums Liabilities – GPS 310 basis;
- Part B: Premiums Liabilities – AASB Basis; ~~and~~
- Part C: Additional policies risk charge; and
- Part ~~D~~E: Total Premiums Liabilities.

The aggregate value of premiums liabilities for the Level 2 insurance group will be reported in ‘Part ~~D~~E: Total Premiums Liabilities’

### Actuarial services

If actuarial services were used to complete this form input ‘Yes’, otherwise input ‘No’.

### Basis of preparation

Select, from the drop down list, the basis by which premiums liabilities are reported in this form. The options provided are:

- GPS 310 basis;
- AASB Basis; or
- Combination of GPS 310 and AASB basis.

### Classes of insurance business (1)

Level 2 insurance groups are required to report financial data on both Australian business<sup>9</sup> and international business<sup>10</sup>.

Diversification will be the primary adjustment made on a group basis that affects the insurance risk capital charge and should be recognised in the risk margin for each class of business. The totals at the end of the form, in Part ~~D~~E, may take into account other group adjustments.

### Australian business

For Part A (Premiums Liabilities – GPS 310 basis), Australian business is to be reported as a single region:~~by class in;~~

- table 1: Direct business; and

<sup>9</sup> See GPS 001.

<sup>10</sup> See GPS 001.

- table 3: Reinsurance business.

A Level 2 insurance group may apply to APRA for a ~~determination~~reporting adjustment under paragraph 3(b) of GRS 210.1 G to report Australian business as a single region. If the reporting adjustment is not in place, the Level 2 insurance group must not complete this form, and instead complete GRF 210.1A\_G.

~~A Level 2 insurance group must not report Australian business in table 2 or table 4 unless a determination has been made by APRA to report Australian business as a single region.~~

~~Where APRA has made a determination to report Australian business as a single region, a Level 2 insurance group must (for the business to which the determination relates):~~

- ~~• report Australian direct business in table 2;~~
- ~~• report Australian reinsurance business in table 4; and~~
- ~~• not report Australian business in table 1 or table 3.~~

Where a Level 2 insurance group reports premiums liabilities using equivalent accounting entries under Part B (Premiums Liabilities – AASB basis), which requires APRA approval, Australian business is to be reported as a single region; ~~by class in;~~

- table 5: Direct business; and
- table 7: Reinsurance business

~~A Level 2 insurance group must not report Australian business in table 6 or table 8 unless a determination has been made by APRA to report Australian business as a single region.~~

~~Where APRA has made a determination to report Australian business as a single region, a Level 2 insurance group must (for the business to which the determination relates):~~

- ~~• report Australian direct business in table 6;~~
- ~~• report Australian reinsurance business in table 8; and~~
- ~~• not report Australian business in table 5 or table 7.~~

### **International business (1)**

As outlined in the Introduction, Ffor international regions, class of business data is not reported in this form. Level 2 insurance groups, however, will be required to map their international business to the Australian classes of business as defined in GPS 001 in order to assign an insurance risk capital charge and provide a reporting supplement to APRA. ~~Unless otherwise instructed by APRA, Level 2 insurance groups are to supply details of this mapping and the calculation of the insurance risk capital charge~~



~~for international business as supplementary information to this form. This information is to be supplied to the Level 2 insurance group's APRA Responsible Supervisor. Unless instructed otherwise, the reporting supplement is to accompany the submission of this form.~~

~~International business<sup>11</sup> is to be reported according to the regions specified in this form. Level 2 insurance groups are required to report according to the regions which most appropriately reflects the business and/or operational segments of the group. International business should not be reported under the 'Australia' region.~~

~~However, all insurance business written by Level 1 insurers is deemed to be Australian business. This treatment is different to the requirements of AASB 1023 'General Insurance Contracts'. Once regions are defined, they should generally be maintained thereafter for consistency. However, this does not prevent the Level 2 insurance group from altering its reporting regions where necessary, provided APRA is notified of any changes.~~

~~The form allows reporting for the following regions:~~

- ~~● New Zealand;~~
- ~~● South East Asia;~~
- ~~● Asia Pacific;~~
- ~~● USA~~
- ~~● Americas;~~
- ~~● UK/Europe; and~~
- ~~● Other.~~

The sum of the classes of business for each international country and region is to be entered into the form separated according to whether the premiums liabilities relate to:

- [table 2](#): direct business; or
- [table 4](#): reinsurance business.

Where a Level 2 insurance group reports premiums liabilities using equivalent accounting entries under Part B (Premiums Liabilities – AASB basis), which requires APRA approval, the sum of the classes of business for each international country and region is to be entered into the form according to whether the accounting entries relate to:

- [table 6](#): direct business; or
- [table 8](#): reinsurance business

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<sup>11</sup> ~~See GPS 001.~~

**Direct business (Australian ~~business by class~~ region)**

The Level 2 insurance group should report the total of all direct Australian business.

~~The following direct classes of business relate to column '1' in table 1 and table 5. The classes of Australian business for Level 2 insurance groups are as follows:~~

**~~(I).—Houseowners/Householders (H & H)~~**

~~This class covers the common H & H policies inclusive of:~~

- ~~●—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 (XIII).~~

**~~(II).—Commercial Motor Vehicle~~**

~~Motor vehicle insurance (including third party property damage) other than insurance covering vehicles defined below under Domestic Motor Vehicle. It includes long and medium haul trucks, cranes and special vehicles and policies covering fleets.~~

**~~(III).—Domestic Motor Vehicle~~**

~~Motor vehicle insurance (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 policies.~~

**~~(IV).—Travel~~**

~~Insurance 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 policies 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 policies, e.g. flood.~~

## **ISR**

~~Standard policy wordings exist for this type of policy. All policies which contain such standard wordings or where the wording is substantially similar are to be classified as ISR.~~

### **(VI). Marine**

~~Includes Marine Hull (including pleasure craft), Marine Cargo (including sea and inland transit insurance).~~

### **(VII). Aviation**

~~Aviation (including aircraft hull and aircraft liability).~~

### **(VIII). Mortgage**

~~Insurance 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 (CCI)**

~~Insurance 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 insurance:~~

- ~~Miscellaneous accident (involving cash in transit, theft, loss of money);~~
- ~~All risks (baggage, sporting equipment, guns);~~
- ~~Engineering when not part of ISR or Fire policy;~~
- ~~Plate glass when not part of packaged policy (e.g. homeowners /householders);~~
- ~~Live Stock;~~
- ~~Pluvius; and~~

- ~~Sickness and Accident (which provides stated benefits where the insured is killed or suffers loss of specific parts of the body or is prevented from carrying out the insured's normal occupation. In addition, regular benefits may be paid over a short period of time (typically less than 3 years), noting that continuous disability policies are considered to be Life Insurance Policies and should not be provided by general insurance companies).~~

#### ~~(XI). Other~~

~~All other insurance business not specifically mentioned elsewhere. It includes, for example:~~

- ~~Trade Credit;~~
- ~~Surety business (where APRA has approved for it to be treated as insurance business);~~
- ~~Extended Warranty (includes insurance by a third party for a period in excess of the manufacturer's or seller's normal warranty;~~
- ~~Kidnap and Ransom; and~~
- ~~Contingency.~~

~~Note: Guarantees are not to be treated as insurance business but as direct credit substitutes.<sup>12</sup> These are to be reported in *GRF 131.0\_G Off Balance Sheet Exposure Risk Charge (Level 2 Insurance Group)*.~~

#### ~~(XII). Compulsory Third Party Motor Vehicle (CTP)~~

~~This class consists only of CTP business.~~

#### ~~(XIII). 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 insured's business. Product Liability includes policies that provide 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 policies.~~
- ~~Also will include builders warranty insurance.~~
- ~~Includes public liability attaching to homeowners/householders policies.~~

#### ~~(XIV). Professional Indemnity (PI)~~

~~Includes Directors' and Officers' liability insurance plus legal expense insurance. Cover for legal expenses is generally included in this type of policy.~~

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<sup>12</sup> ~~See Prudential Standard GPS 114 Capital Adequacy: Investment Risk Capital Charge (GPS 114).~~

## **(XV). Employers' Liability (EL)**

Includes:

- ~~Workers' compensation;~~
- ~~Seamen's compensation; and~~
- ~~Domestic workers compensation.~~

### **Reinsurance business**

[The Level 2 insurance group should report the total of all reinsurance Australian business.](#)

~~The following classes relate column '1' in table 3 and table 7 of this form. 'Australian business' means insurance business carried on by any Level 1 insurer within a Level 2 insurance group. The classes of Australian business for Level 2 insurance groups that provide reinsurance are as follows:~~

~~**Treaty Proportional:** This refers to all forms of quota share and surplus reinsurance written on a treaty reinsurance arrangement where the reinsurer is bound to accept all business ceded by the reinsured subject to the terms and conditions of the pre-agreed treaty wording, and shares in the same proportion of premium and losses of the reinsured.~~

~~**Treaty Excess of Loss:** This refers to all reinsurance arrangements where the reinsurer is bound to accept all business ceded by the reinsured and the reinsurer pays losses only above an agreed predetermined limit (retention) up to an agreed maximum amount.~~

~~**Facultative Proportional:** This refers to non-treaty arrangements where each reinsurance contract is on an individual offer and acceptance basis and the reinsurer shares in the same proportion of premium and losses of the reinsured.~~

~~**Facultative Excess of Loss:** This refers to non-treaty arrangements where each reinsurance contract is on an individual offer and acceptance basis. The reinsurer pays losses only above an agreed predetermined limit (retention) up to an agreed maximum amount.~~

~~**Reinsurance non-split:** This line item classification disclosed under Reinsurance class of business is to be used where it is not possible for the Level 2 insurance group to separately split out all the classes of reinsurance businesses. However as required by GPS 111 where a Level 2 insurance group underwrites an inwards reinsurance contract and is unable to split this business into the classes and types listed in that prudential standard, it must use one of the methods detailed below.~~

Where a Level 2 insurance group underwrites an inwards reinsurance contract which spans multiple classes and the Level 2 insurance group cannot readily split the contract between classes, the contract must be allocated using an appropriate method (provided the same method is used for all contracts and for all subsequent periods), including the following methods:

- (a) allocate the contract to the category which represents the greatest exposure; or
- (b) allocate the contract to the category representing the greatest premium income.

### **Total direct Australian business**

Total direct Australian business is automatically calculated by the form (in Part A and in Part B) and represents the sum of Australian direct business ~~(including that reported by class and that reported as a single region).~~

### **Total direct international business**

Total direct international business is automatically calculated by the form (in Part A and in Part B) and represents the sum of direct international business. ~~This value excludes amounts reported under 'Australia' in table 2 (for Part A) or table 6 (for Part B).~~

### **Total Australian reinsurance business**

Total Australian reinsurance business is automatically calculated by the form (in Part A and in Part B) and represents the sum of Australian reinsurance business ~~(including that reported by class and that reported as a single region).~~

### **Total international reinsurance business**

Total international reinsurance business is automatically calculated by the form (in Part A and in Part B) and represents the sum of international reinsurance business. ~~This value excludes amounts reported under 'Australia' in table 4 (for Part A) or table 8 (for Part B).~~

### **Total premium liabilities**

This is automatically calculated by the form (in Part A and in Part B) and represents the sum of:

- total Australian direct business;
- total direct international business;
- total Australian reinsurance business; and
- total international reinsurance business.

### **Part A: Premiums liabilities – GPS 310 Basis**

The instructions below relate to tables 1 to 4 (including the 'Totals' table in Part A) and are set out by column.

### **Premiums liabilities**

Premiums liabilities relate to all future claim payments arising from future events post the reporting period that will be insured under the Level 2 insurance group's existing

policies that have not yet expired. The value of the premiums liabilities must include an amount in respect of the expenses that the Level 2 insurance group expects to incur in administering and settling the relevant claims and allow for expected premium refunds.

Premiums liabilities are to be determined on a prospective basis (in accordance with GPS 310); both net and gross of expected reinsurance recoverables and non-reinsurance recoverables.

Premiums liabilities relating to insurance and reinsurance contracts written on a long-term (or continuous) basis, with the option for the party accepting the risk to cancel the contract at pre-agreed dates prior to the expiry date, must make allowance for future claims payments anticipated up to the next possible cancellation date. For instance, if a multi-year contract is written on the basis that it can be cancelled by the risk carrier on a particular date (cancellation date) or within a particular period (so that the earliest cancellation date may be determined). In this case, the Level 2 insurance group would need to account for premiums liabilities for any unexpired risks which may:

- arise up to and including the cancellation date; or
- remain after the cancellation date.

The estimation of reinsurance recoverables in respect of premiums liabilities for which reinsurance has not yet been purchased can assume that the necessary reinsurance related to those liabilities will be purchased and documented. Allowance must be made for the purchase cost of this reinsurance. This assumption must only be made when existing reinsurance arrangements are documented and when the estimated reinsurance recoverables relate to the same class of business that are currently covered by the existing documented reinsurance arrangements, and it is fully expected that the reinsurance will be replaced on similar terms when current arrangements expire. The adjustment should be made by first offsetting reinsurance recoveries for the cost of the future reinsurance expense (thus increasing net premiums liabilities) and there after increasing premiums liabilities expenses.

The existence of DRE on the balance sheet indicates the existence of reinsurance that may provide partial cover for the premiums liabilities. To the extent that the current reinsurance arrangements cover the premium liability exposure, insurers are not required to include the cost of reinsurance in the premiums liabilities. However, an additional reinsurance cost must be included for any part of the premiums liabilities not covered by current reinsurance arrangements.

For any part of the current reinsurance arrangements that covers future business that has not yet been written, that portion of the associated DRE asset cannot be used to reduce premiums liabilities calculated under this standard. To the extent that assets from the underlying reinsurance are not to be deducted in paragraph 25 of GPS 112, the future business portion of the DRE can be used to increase the surplus (or decrease the deficit) in premiums liabilities calculated under paragraph 16 (a) (v) of GPS 112.

The valuation of premiums liabilities for each class of business must comprise:

- (a) a central estimate (refer below); and
- (b) a risk margin (refer below) that relates to the inherent uncertainty in the central estimate value for premiums liabilities.

The valuation of insurance liabilities (i.e. outstanding claims liabilities and premiums liabilities) reflects the individual circumstances of the Level 2 insurance group. In any event, the minimum value of insurance liabilities must be the greater of a value that is:

- (a) determined on a basis that is intended to value the insurance liabilities of the Level 2 insurance group at a 75 percent level of sufficiency; and
- (b) the central estimate plus one half of a standard deviation above the mean for the insurance liabilities of the Level 2 insurance group.

**(a) The central estimate**

The central estimate is intended to reflect the mean value in the range of possible values for the outcome (that is, the mean of the distribution of probabilistic outcomes). The determination of the central estimate must be based on assumptions as to future experience which reflect the experience and circumstances of the Level 2 insurance group and which are:

- made using judgement and experience;
- made having regard to reasonably available statistics and other information; and
- neither deliberately overstated nor understated.

Where experience is highly volatile, model parameters estimated from the experience can also be volatile. The central estimate should therefore reflect as closely as possible the likely future experience of the Level 2 insurance group. Judgment may be required to limit the volatility of the assumed parameters to that which is justified in terms of the credibility of the experience data.

The central estimate will generally be measured as the present value of the future expected payments. This measurement process will involve prospective calculations and modelling techniques, and will require assumptions in respect of the expected future experience, taking into account all factors which are considered to be material to the calculation, including:

- discount rates;
- claims escalation;
- claims and policy management expenses; and
- claims run-off.



The assumptions used should be consistent for the estimation of both outstanding claims liabilities and premiums liabilities. Where they are not, the reasons must be documented.

## **(b) The risk margin**

The risk margin is to be valued in accordance with the requirements of GPS 311. The risk margin is the component of the value of Premiums Liabilities that relates to the inherent uncertainty that outcomes will differ from the central estimate. It is aimed at ensuring that the value of the Premiums Liabilities is established at an appropriate and sufficient level. The risk margin does not relate to the risk associated with the underlying assets, including asset-liability mismatch risk.

Risk margins must be determined, for each class of business, and in total, on a basis that reflects the experience of the Level 2 insurance group. In any event, the risk margin must be valued so that the insurance liabilities of the Level 2 insurance group, after any diversification benefit, are the greater of a value that is:

- (a) determined on a basis that is intended to value the insurance liabilities of the Level 2 insurance group at a 75 per cent level of sufficiency; and
- (b) the central estimate plus one half of a standard deviation above the mean for the insurance liabilities of the Level 2 insurance group.

The risk margins must be determined having regard to the uncertainty of the gross insurance liabilities and to any uncertainty related to the estimate of reinsurance assets and non-reinsurance recoverables that are deducted from the estimate of gross insurance liabilities. For Australian business, adjustments to the risk margin will include any diversification benefits across classes of business and any diversification adjustments that can be attributed to the Australian business from its association with the international business of the group. Similarly, a Level 2 insurance group may recognise diversification benefits on international business when reporting premiums liabilities for geographic regions in part A of this form.

~~The Level 2 insurance group is free to carry net premiums liabilities<sup>13</sup> in GRF 300.0\_G Statement of Financial Position (Level 2 Insurance Group) and GRF 302.0\_G Statement of Financial Position by Region (Level 2 Insurance Group) at a different level to the amount required by GPS 311. However for the purposes of this form only, Premiums Liabilities are to be measured and reported in accordance with the requirements of GPS 311 and disclosed by type of insurance business (direct business and inward reinsurance business) i.e. must be at the 75% probability of sufficiency. If Premiums Liabilities are reported at a level greater than that required by GPS 311 in this form, the Level 2 insurance group will be subjecting itself to a greater insurance risk capital charge than required and will also be subjecting itself to a lower capital base since the value of excess technical provisions will be lower.~~

<sup>13</sup> ~~Net premiums liabilities in this instance refers to unearned premium provision less deferred acquisition costs less deferred reinsurance expense (on current policies) plus unexpired risk liability.~~

Note: any amount of the net insurances liabilities reported in [GRF 302.0](#) ~~GGRF 302.0\_G~~ *Statement of Financial Position by Region (Level 2 Insurance Group)* in excess of the amount reported in part A of this form, can be added back to Tier 1 capital in [GRF 120.0](#) ~~GGRF 120.0\_G~~ *Determination of Capital Base (Level 2 Insurance Group)*. Credit towards Tier 1 capital is only available in respect to premiums liabilities that have been valued and reported in accordance with GPS 310.

Premiums liabilities are to be reported for:

- ‘Direct business’ in table 1 and table 2; and
- ‘Reinsurance business’ in table 3 and table 4.

### **Gross PL - Central estimate (2)**

For each line of business, report the central estimate of the gross premiums liabilities that are calculated in accordance with GPS 311.

### **Gross PL - Risk margin (3)**

For each line of business, report the risk margin for the gross premiums liabilities that are calculated in accordance with GPS 311.

### **Gross PL - Total (4)**

‘Gross premiums liabilities-Total’ represents the total of the central estimate and risk margin. This value is automatically calculated by the form.

### **Expected reinsurance recoveries (5)**

Expected reinsurance recoveries means any amounts due to an insurer from a reinsurer that arise from the recognition of Premiums Liabilities referred to in the **capital standards**<sup>14</sup> and GPS 310. This is distinguished from reinsurance recoverables and forms part of reinsurance assets.

~~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 by the reinsurer 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. ——~~

<sup>14</sup> See GPS 001.

~~*‘Losses occurring during the period of reinsurance’:*—A reinsurance cover provided on this basis covers risks that have been accepted in the prior periods and also risks that are accepted and attach in the current period of the reinsurance contract. Where their risk profile is evenly distributed throughout the year, Level 2 insurance groups must recognise 50 per cent of the reinsurance expense and expected reinsurance recoveries in the current period. The reinsurance expense and 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 for the remaining portion of the current year. Where the risk profile is not evenly distributed throughout the year, the Level 2 insurance group will need to recognise the apportionment of reinsurance expense and expected reinsurance recoveries on the same business pattern as their risk profile. For seasonal business, with all policies incepting on the one date, all reinsurance expense and 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’:*—A reinsurance cover provided on this basis covers only the policies written during the reinsurance year and there are no prior year exposures to the reinsurance contract. For these contracts the reinsurance expense and the expected reinsurance recoveries are to be recognised from the date of acceptance by the reinsurer.~~

~~Level 2 insurance groups should recognise expected reinsurance recoveries, which are calculated in accordance with GPS 311, but which are due from reinsurance arrangements that do not fully meet the reinsurance documentation tests specified in *GPS 112 Capital Adequacy: Measurement of Capital (GPS 112)*.~~

## **Non-reinsurance recoveries (6)**

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

For each line of business report the non-reinsurance recoveries associated with the premiums liabilities, estimated in a manner consistent with the methodology used in the most recent Insurance Liability Valuation Report prepared by the Group Actuary as defined in GPS 310.

The estimates of non-reinsurance recoveries expected to be received must be based on the nature of the expected claims and the history of non-reinsurance recoveries compared to claims.

## **Net PL - Central estimate (7)**

For each line of business, report the central estimate, net of expected reinsurance and non-reinsurance recoveries, associated with premiums liabilities that are calculated in accordance with GPS 311.

### Net PL - Risk margin (8)

For each line of business report the risk margin, net of expected reinsurance and non-reinsurance recoveries, associated with premiums liabilities that are calculated in accordance with GPS 311.

### Total PL net of expected reinsurance and non-reinsurance recoveries (9)

Premiums Liabilities net of expected Reinsurance Recoveries and Non-reinsurance Recoveries are calculated as:

- Net PL - Central Estimate; plus
- Net PL – Risk Margin.

Do not enter a value as this is automatically calculated by the form.

### PL Capital factor % (10)

~~This column states the insurance risk capital factor applicable to each line of Australian business. The capital factors are specified in Prudential Standard GPS 115 Capital Adequacy: Insurance Risk Capital Charge (GPS 115).~~

The PL capital factor applied to Australian and international business is based on the capital factors for Australian classes of business, as specified in Prudential Standard GPS 115 Capital Adequacy: Insurance Risk Capital Charge (GPS 115). ~~A different treatment applies to international business in this column (and Australian business reported as a single region).~~

As part of the supplementary information provided to APRA, Level 2 insurance groups are required to have mapped their Australian and international business ~~(and Australian business reported as a single region)~~ to the Australian classes of business as defined in GPS 001 in order to assign an insurance risk capital charge. For international business ~~(and Australian business reported as a single region)~~, this column requires Level 2 insurance groups to report a weighted average capital factor which applies to the total of all the classes for each region.

### PL Insurance risk charge (11)

This column represents the insurance risk capital charge applicable to premiums liabilities. ~~For Australian business reported by class, the capital charge is calculated on the basis of risk capital factors specified in GPS 115.~~ For Australian and international business ~~(and Australian business reported as a single region)~~ the insurance risk capital charge is calculated based on the weighted average capital factor reported for each region under 'Premiums Liability Capital Factor %' in this form. The premiums liability insurance risk capital charge is automatically calculated by the form.

The total of this column for direct business and reinsurance business is included in the calculation of the minimum capital requirement for the Level 2 insurance group (after allowance for Group adjustments).

## Excess [and deficit](#) technical provision (12)

Include in this item the value of net insurance liabilities that are recognised in [GRF 302.0\\_G](#) ~~GRF 302.0\_G Statement of Financial Position by Region (Level 2 Insurance Group)~~ that are in excess of [\(positive value\)](#) or deficit to [\(negative value\)](#) the premiums liabilities valued in accordance with GPS 310 in part A ~~of GRF 210.1\_G Premiums Liabilities—Insurance Risk Charge (Level 2 Insurance Group)~~. 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](#) ~~GRF 302.0\_G Statement of Financial Position by Region (Level 2 Insurance Group)~~:

- Item 13. ‘Unearned Premium’;
- Less sum of:
  - [Item 3.5 ‘Deferred reinsurance expense’; plus](#)
  - ~~Item 3.5.1 ‘Deferred reinsurance expense in relation to current policies’; plus~~
  - Item 3.7 ‘Deferred acquisition costs’;
- Add Item 15 ‘Unexpired risk liability’
- Less the net premiums liabilities on Australian business (direct and reinsurance business) as reported in [GRF 210.1B\\_G](#) ~~GRF 210.1\_G Premiums Liabilities—Insurance Risk Charge (Level 2 Insurance Group)~~.

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’.

~~Where Australian business is reported as a single region, excess technical provisions should be reported under table 2 and table 4. The sum of these two values should be reported in the ‘Total’ table for Part A.~~

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](#) ~~GRF 302.0\_G Statement of Financial Position by Region (Level 2 Insurance Group)~~:

- Item 13. ‘Unearned Premium’;
- Less sum of:
  - [Item 3.5 ‘Deferred reinsurance expense’; plus](#)

- ~~• Item 3.5.1 'Deferred reinsurance expense in relation to current policies'; plus~~
- Item 3.7 'Deferred acquisition costs';
- Add Item 15 'Unexpired risk liability'
- Less the net premiums liabilities (on direct and reinsurance business) for the geographic region as reported in [GRF 210.1B\\_G](#) ~~*GRF 210.1\_G Premiums Liabilities – Insurance Risk Charge (Level 2 Insurance Group)*~~.

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.

### **Total excess technical provision**

This is automatically calculated by the form and represents the sum of excess technical provisions for Australian business and each geographic region.

Any adjustments to excess technical provisions on premiums liabilities that are required due to intra-group transactions are to be reported under 'Group adjustments to excess technical provisions' in Part [DE](#) of this form.

### **Part B: Premiums liabilities – AASB Basis**

The instructions below relate to tables 5 to 8 (including the 'Totals' table in Part A) and are set out by column.

Under GPS 311, Level 2 insurance groups may value premiums liabilities for international business on an AASB basis using accounting entries. These are to be reported in 'Part B: Premiums Liabilities – AASB Basis'. A Level 2 insurance group may apply to APRA, under paragraph 41 of GPS 311, for a determination to enable premiums liabilities on Australian business to be reported using accounting entries. Where APRA has made such a determination, these are to be reported in part B of this form.

Note: Diversification adjustments must not be included when reporting the value of premiums liabilities in 'Part B: Premiums Liabilities – AASB Basis'. However, Level 2 insurance groups may allow for diversification adjustments when determining the threshold levels for any liability adequacy tests applied in part B of this form.

### **Unearned premium (2)**

Report the unearned premium liability as at the end of the reporting period.

### **Deferred acquisition costs (3)**

Report the value of deferred acquisition costs as at the end of the reporting period.

#### **AASB Gross premiums liabilities (UPP – DAC) (4)**

This item is automatically calculated by the form as:

- Item 2 ‘Unearned Premium’; less
- Item 3 ‘Deferred acquisition costs’.

#### **Deferred reinsurance expense (~~Current policies~~) (5)**

Report the value, as at the reporting date, of deferred reinsurance expense, as determined in accordance with the relevant prudential standard. For further details on deferred reinsurance expense, refer to item 3.5 ‘Deferred reinsurance expense’ in Reporting Form GRF 300.0 G Statement of Financial Position (Level 2 Insurance Group).

~~Report the value of deferred reinsurance expense relating to current policies. This will exclude deferred reinsurance expense on future business not yet written or recognised.~~

#### **Unexpired risk liability (6)**

Report the value of any unexpired risk liability as a result of the application of the liability adequacy test required under AASB 1023~~AASB 1023 ‘General Insurance Contracts’~~. This liability adequacy test may be different from the liability adequacy test required in accordance with GPS 311. Where the test applied under AASB 1023~~AASB 1023 ‘General Insurance Contracts’~~ is identical to that required under GPS 311, there will be no recognition of a deduction of excess technical provisions as set out below.

#### **Other (7)**

Include in this column the net value of any other items which form the total of AASB 1023 net premiums liabilities. This would include:

- Deferred reinsurance exchange commission (to be entered as a positive value);
- Unearned commission revenue (to be entered as a positive value); and
- Deferred levies and charges (to be entered as a negative value).

#### **AASB Net premiums liabilities (~~8~~7)**

The net premiums liabilities are calculated as:

- Item 4 ‘AASB Gross Premium Liabilities (UPP – DAC)’; less
- Item 5 ‘Deferred Reinsurance Expenses (~~Current Policies~~)’; add
- Item 6 ‘Unexpired risk liability’; add
- Item 7 ‘Other’.

Do not enter a value as this is automatically calculated by the form.

### Technical provision deficiency (98)

Report any deficiency recognised in premium liability valuations due to the application of the Liability Adequacy Test (LAT) as under Attachment A of GPS 311. The LAT must be applied to net premiums liabilities (unearned premium less deferred acquisition costs less deferred reinsurance expense ~~on current policies~~ plus unexpired risk liability) at a 75% level of sufficiency. This treatment is different to the requirements of [AASB 1023](#) ~~AASB 1023 'General Insurance Contracts'~~. Where a Level 2 insurance group reports premiums liabilities on Australian business using accounting entries, the LAT must be applied at the class of business level. For international business, the LAT must be applied to each geographic region. For the purposes of 'Part B: Premiums Liabilities – AASB Basis', diversification adjustments may be taken into account when determining the threshold amount for the LAT. **APRA is therefore specifying the probability of sufficiency and the portfolios to which this is applied. This prescription does not apply under [AASB 1023](#) ~~AASB 1023 'General Insurance Contracts'~~. If the Level 2 insurance group chooses to apply a liability adequacy test for the purposes of [AASB 1023](#) ~~AASB 1023 'General Insurance Contracts'~~ that meets these specifications then the LAT required for prudential reporting purposes will also be satisfied.**

Any deficiency in premiums liabilities is to be reported as a positive value. Where premiums liabilities exceed the threshold amount determined under the LAT, the value reported under 'Excess Technical Provision' will be zero. Consequently, Level 2 insurance groups will not be able to include in their capital base the value of premiums liabilities (determined using accounting entries) that exceed the threshold amount calculated in the LAT.

### Adjusted net premiums liabilities (109)

Adjusted net premiums liabilities are calculated as:

- Item [87](#) 'AASB Net Premiums Liabilities'; *plus*
- Item [98](#) 'Technical Provision Deficiency'.

Do not enter a value as this is automatically calculated by the form.

### PL capital factor % (1140)

~~For Australian business reported on a class by class basis these premiums liabilities capital factors are as specified in GPS 115.~~

The PL capital factor applied to Australian and international business is based on the capital factors for Australian classes of business, as specified in GPS 115. As part of the supplementary information provided to APRA, Level 2 insurance groups are required to have mapped their Australian and international business to the Australian classes of business as defined in GPS 001 in order to assign an insurance risk capital charge. For international business, this column requires Level 2 insurance groups to



report a weighted average capital factor which applies to the total of all the classes for each region.

~~For international business (and for Australian business reported as a single region), for each geographic region Level 2 insurance groups are to map their international business to the Australian classes of business and assign an insurance risk capital charge accordingly. A weighted average capital factor needs to be determined for premiums liabilities in each geographic region and the detail of its calculation is to be provided as supplementary information. This information is to be supplied to the Level 2 insurance group's APRA supervisor. The average capital factor for each region needs to be manually entered into the form.~~

### **PL insurance risk charge (1244)**

This column represents the insurance risk capital charge applicable to premium liabilities. ~~For Australian business, the capital charge is calculated on the basis of risk capital factors specified in GPS 115.~~ For Australian and international business ~~(and for Australian business reported as a single region)~~ the insurance risk capital charge is calculated based on the weighted average capital factor reported for each region under 'Premiums Liability Capital Factor %' in this form. The premiums liabilities insurance risk charge is automatically calculated by the form.

The total of this column for direct business and reinsurance business is included in the calculation of the minimum capital requirement for the Level 2 insurance group (after Group adjustments).

### **Part C: Additional policies risk charge**

With respect to direct business and reinsurance business where policies incept in the following reporting period and where these policies would have a material impact on capital adequacy, net written premium for exposure that has not been included in the calculation of the premiums liabilities is to be subject to the premiums liabilities risk charge.<sup>15</sup> The materiality of the business that incepts in the next reporting period should be determined in accordance with the Australian accounting and auditing standards subject to APRA's discretion.

The risk charge must reflect the full premium revenue for inwards proportional reinsurance for the full term of the current reinsurance contract.<sup>16</sup> To the extent that the risk charge is based on reported premium for inwards proportional reinsurance that does not reflect the full term of the current insurance contract, an adjustment must be made to the risk charge. The adjustment is determined by applying the premiums

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<sup>15</sup> This requirement is based on the principle that an insurer should be able to meet its insurance obligations at all times, not just at the quarterly reporting dates. With regards to written contracts for which insurers are not on risk in the current reporting period, APRA has not defined how far into the subsequent reporting period the capital requirement applies. APRA expects that at the reporting date, insurers will hold sufficient capital for all general insurance contracts for which the general insurer is committed, regardless of when the contract incepts.

<sup>16</sup> For the avoidance of doubt, the reinsurance revenue for inwards reinsurance business should be recognised for the full term of current reinsurance contracts, usually 12 months from the inception of the contract, and not any shorter period. For reinsurance contracts that are continuous but cancellable at regular intervals or on specified dates, the term of the contract can be measured to the earliest cancellation date that is not less than 12 months from the previous cancellable date.

liabilities risk charge factor to any inwards proportional reinsurance premium revenue not recognised.

**For Tables 9 and 11, Australian business is to be reported as single region in:**

- table 9: Direct business; and
- table 11: Reinsurance business.

**For tables 10 and 12, class of business data is not reported. Level 2 insurance groups, however, will be required to map their international business to the Australian classes of business as defined in GPS 001 in order to assign an additional policies risk charge and provide a reporting supplement to APRA.**

The sum of the classes of business for each international country and region is to be entered into the form separated according to whether the data relate to:

- direct business; or
- reinsurance business.

### **Net written premium (2)**

Report in this column the net written premium by class of business for the following:

- Material business that incepts in the next reporting period. Materiality should be as applied in Australian accounting and auditing standards subject to APRA's discretion.
- Any revenue from inwards proportional reinsurance contracts where the treaty extends beyond the end of the current reporting period but revenue has not yet been recognised in *Reporting Form GRF 310.0 G Income Statement (Level 2 Insurance Group)*.

Note that insurers are not required to report premium revenue that has been included in the calculation of the premiums liability.

### **PL Capital Factor % (3)**

The PL capital factor applied to Australian and international business is based on the capital factors for Australian classes of business, as specified in GPS 115. As part of the supplementary information provided to APRA, Level 2 insurance groups are required to have mapped their Australian and international business to the Australian classes of business as defined in GPS 001 in order to assign an insurance risk capital charge. For international business, this column requires Level 2 insurance groups to report a weighted average capital factor which applies to the total of all the classes for each region.

#### **Additional Policies Risk Charge (4)**

This column represents the insurance risk capital charge applicable to each line of business or international region.

The PL insurance risk charge is automatically calculated by the form; do not enter values. The total of this column for direct business and reinsurance business is included in the calculation of the minimum capital requirement for the Level 2 insurance group.

#### **Part DC: Total premiums liabilities**

The total value of net premiums liabilities and the associated insurance risk capital charge for the Level 2 insurance group are calculated to be reported in this section of the form. This will comprise of the premiums liabilities and the respective insurance risk capital charges reported in Part A and Part B of this form, and any group adjustments that exist.

#### **Total premiums liabilities and insurance risk charge**

The total premiums liabilities, group PL insurance risk charge, additional policies risk charge and total premiums liabilities (~~and the insurance risk charge~~) for the Level 2 insurance group will comprise of the following categories:

- Australian direct business;
- Australian reinsurance business;
- International direct business;
- International reinsurance business; plus
- Group adjustments.

#### **Group adjustments**

Adjustments not recognised in tables 1-8 are to be reported under group adjustments. Group adjustments (that result in a reduction in premium liabilities) are to be reported as negative values.

#### **Gross premium liabilities**

Except for the Group adjustments row, do not enter values for each category as these are automatically calculated by the form.

#### **Net premium liabilities**

Except for the Group adjustments row, do not enter values for each category as these are automatically calculated by the form.

### **Adjusted net premium liabilities**

Except for the Group adjustments row, do not enter values for each category as these are automatically calculated by the form.

### **Group PL insurance risk charge**

Except for the Group adjustments row, do not enter a value for each category as these are automatically calculated by the form.

### **Additional policies risk charge**

Do not enter a value for each category as these are automatically calculated by the form.

### **Total premiums liabilities risk charge**

Do not enter a value for each category as these are automatically calculated by the form.

### **~~Total group PL insurance risk capital charge~~**

Do not enter a value as this is automatically calculated by the form.

It will represent the sum of 'Group PL insurance risk charge' attributed to:

- Australian direct business;
- Australian reinsurance business;
- International direct business;
- International reinsurance business; and
- Group adjustments.

The total premiums liabilities insurance risk charge will be included in the calculation of the minimum capital requirement for the Level 2 insurance group.

### **Excess technical provisions on premiums liabilities**

#### **Group adjustments to excess technical provisions**

Adjustments to excess technical provisions on premiums liabilities not already recognised in tables 1-8 are to be reported under this item.

Any adjustment that results in a reduction to excess technical provisions is to be reported as a negative value. APRA may request details of any group adjustment that is made to excess technical provisions.

### **Total deferred reinsurance expense for future business not yet written**

Total deferred reinsurance expense for future business not yet written represents the component of reinsurance paid or payable which is available for future business written up to the end of the reinsurance contract. Any amount cannot be included in this item where the underlying reinsurance arrangements do not comply with the reinsurance documentation or the governing law requirements set out in Prudential Standard GPS 230 Reinsurance Management. This amount must not be negative.

### **Total excess technical provisions on premiums liabilities**

Do not enter a value as this is automatically calculated by the form and represents:

- ‘Excess Technical Provision’ column for the ‘Total premium liabilities – GPS 310 basis’ row in Part A; *less*
- ‘Technical Provision Deficiency’ column for the ‘Total premium liabilities – AASB basis’ row in Part B; *plus*
- ‘Group adjustments to excess technical provisions’ in Part D; *plus* €.
- ‘Total deferred reinsurance expense for future business not yet written.

The value of this excess (or deficiency) will be included in Item 1.1.4 ‘Technical provisions in excess of liability valuation’ of GRF 120.0\_G ~~GRF 120.0\_G~~ *Determination of Capital Base (Level 2 Insurance Group) – Technical provisions in excess of liability valuation.*