



Reporting Standard GRS 210.0_G (2011)

Outstanding Claims Liability – Insurance Risk Charge (Level 2 Insurance Group)

Objective of this reporting standard

This reporting standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001* (the Collection of Data Act). It requires the parent entity of a Level 2 insurance group to report to APRA, generally on a semi-annual and annual basis, in relation to the outstanding claims liabilities of the Level 2 insurance group.

This reporting standard outlines the overall requirements for the provision of this information to APRA. It should be read in conjunction with:

- *Form GRF 210.0A_G Outstanding Claims Liability – Insurance Risk Charge – Australia by class of business* (Form GRF 210.0A_G) (if paragraph 3(a) applies to the parent entity) and the associated instructions to that form; and
- *Form GRF 210.0B_G Outstanding Claims Liability – Insurance Risk Charge – Australia by region* (Form GRF 210.0B_G) (if paragraph 3(b) applies to the parent entity) and the associated instructions to that form; and
- any prudential standards referenced in the attached instructions.

Purpose

1. Data collected under this reporting standard is used by APRA for the purpose of prudential supervision including assessing a Level 2 insurance group's compliance with the capital standards.

Application and commencement

2. This reporting standard applies to a parent entity of a Level 2 insurance group for reporting periods commencing on or after 1 July 2011. The parent entity of

a Level 2 group is required to ensure that each requirement in this reporting standard is complied with.

Information required

3. The parent entity of a Level 2 insurance group must provide APRA with the following information in respect of the Level 2 insurance group for each reporting period specified in paragraph 5:
 - (a) The information required by Form GRF 210.0A_G; or
 - (b) The information required by Form GRF 210.0B_G if APRA has granted the parent entity approval to report on an ‘Australia by region’ rather than ‘Australia by class of business’ basis. The parent entity of a Level 2 insurance group may apply in writing to APRA for such an approval.

Note: the instructions to each of the above forms and the forms themselves comprise a part of this reporting standard.

Forms and method of submission

4. The information required by this reporting standard must be given to APRA either:
 - (a) in electronic form using the ‘Direct to APRA’ application, applying one of the electronic submission mechanisms under that application; or
 - (b) by manually completing Form GRF 210.0A_G (if paragraph 3(a) applies to the parent entity) or Form GRF 210.0B_G (if paragraph 3(b) applies to the parent entity) on paper and mailing the completed form to APRA’s head office at Level 26, 400 George Street, Sydney, New South Wales.

Where the information is submitted on behalf of the Level 2 insurance group by an agent appointed by the parent entity of the Level 2 insurance group, the agent may only provide the information in accordance with subparagraph 4(b) if the agent has contacted APRA and advised that the agent cannot submit the information in electronic form under subparagraph 4(a).

Note: the Direct to APRA application software and paper forms may be obtained from APRA.

Reporting periods and due dates

5. Subject to paragraph 6, the parent entity of a Level 2 insurance group must provide the information required by this reporting standard:
 - (a) in respect of each half year based on the financial year (as defined in *Prudential Standard GPS 001 Definitions (GPS 001)*) of the Level 2 insurance group on an unaudited basis; and

- (b) in respect of each financial year (as defined in GPS 001) of the Level 2 insurance group on an audited basis.

Note: The annual information required by paragraphs 3, 4 and 5(b) together with certain annual information required by other reporting standards, will form part of the Level 2 insurance group's annual accounts within the meaning of GPS 001. *Prudential Standard GPS 311 Audit and Actuarial Reporting and Valuation: Level 2 Insurance Groups (GPS 311)* contains the relevant provisions governing audits.

- 6. APRA may, by notice in writing to the parent entity, change the reporting periods, or specified reporting periods, for a particular Level 2 insurance group to require it to provide the information:
 - (a) more frequently (if, having regard to the particular circumstances of the Level 2 insurance group, APRA considers it necessary or desirable to obtain information more frequently for the purposes of the prudential supervision of the Level 2 insurance group); or
 - (b) less frequently (if, having regard to the particular circumstances of the Level 2 insurance group and the extent to which it requires prudential supervision, APRA considers it unnecessary to require the Level 2 insurance group to provide the information as frequently).
- 7. The information required by paragraph 3 of this reporting standard in respect of a Level 2 insurance group must be provided to APRA by the following times:
 - (a) in the case of the half yearly information required by subparagraph 5(a) – three months after the end of the reporting period to which the information relates; and
 - (b) in the case of the audited annual information required by subparagraph 5(b) – four months after the end of the reporting period to which the information relates.

Note: GPS 311 requires a Level 2 insurance group to ensure that its Group Auditor conducts a limited assurance review of the group's annual accounts. Accordingly, the Group Auditor's report(s) as required by GPS 311 (relating to the information required by paragraph 3) must be provided to APRA by the time specified in subparagraph 7(b) of this reporting standard (unless an extension is granted under paragraph 8).

- 8. APRA may by notice in writing to the parent entity grant a Level 2 insurance group an extension of a due date for the provision of the information, in which case the new due date will be the date on the notice of extension.
- 9. On the written application of the parent entity of a Level 2 insurance group, APRA may by notice in writing to the parent entity exclude the requirement under subparagraph 5(a) to provide half yearly information.

Quality control

- 10. The information provided by the parent entity of a Level 2 insurance group under this reporting standard must be the product of processes and controls that

have been reviewed and tested by the Group Auditor of the Level 2 insurance group. This will require the Group Auditor to review and test the systems, processes and controls supporting the reporting of the information to ensure that they produce accurate data and are otherwise reliable. This review and testing must be done on:

- (a) an annual basis to enable the Group Auditor to form an opinion on the accuracy and reliability of the data; and
 - (b) at least a limited assurance engagement consistent with the professional standards and guidance notes issued by the Auditing and Assurance Standards Board (AUASB) as may be amended from time to time, to the extent that they are not inconsistent with the requirements of *Prudential Standard GPS 311 Audit and Actuarial Reporting and Valuation: Level 2 Insurance Groups*.
11. The information provided by the parent entity of a Level 2 insurance group under this reporting standard must be subject to processes and controls developed by the Level 2 insurance group for the internal review and authorisation of that information. It is the responsibility of the board and senior management of the parent entity of the Level 2 insurance group to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

Authorisation

12. If an officer of a parent entity of a Level 2 insurance group provides the information required by this reporting standard:
- (a) under subparagraph 4(a), the officer must digitally sign, authorise and encrypt the information (for which purpose APRA's certificate authority will issue digital certificates, for use with the 'Direct to APRA' application, to officers of the parent entity of the Level 2 insurance group who have authority from the parent entity of the Level 2 insurance group to transmit data to APRA); or
 - (b) under subparagraph 4(b), the completed form must be signed in accordance with paragraph 13.
13. If a parent entity of a Level 2 insurance group provides the information required by this reporting standard through an agent under either subparagraphs 4(a) or (b), the agent will not be required to sign or authorise the information. However, the Level 2 insurance group must:
- (a) obtain from the agent a paper copy of the completed form as provided to APRA (whether it was provided under subparagraph 4(a) or (b)); and
 - (b) cause the paper copy to be signed in accordance with paragraph 14; and
 - (c) lodge the signed paper copy with APRA by mailing the completed form to APRA's head office at Level 26, 400 George Street, Sydney, New South

Wales, by the relevant due date (unless APRA, in writing, waives the requirement to lodge the signed paper copy with APRA by varying this reporting standard in relation to the Level 2 insurance group).

Note: APRA may, for example, determine to waive the requirement under subparagraph 13(c) where a Level 2 insurance group has undertaken to retain the signed copy of the completed form for an agreed period of time.

14. If information under this reporting standard is provided in paper form, it must be signed on the front page of the relevant completed form by either:
 - (a) the Principal Executive Officer of the parent entity of the Level 2 insurance group; or
 - (b) the Chief Financial Officer of the parent entity of the Level 2 insurance group (whatever his or her official title may be).

Minor alterations to forms and instructions

15. APRA may make minor variations to the instructions to a form, to clarify their application to the form without changing any substantive requirement in the form or instructions.
16. If APRA makes such a variation it must notify the parent entity of each Level 2 insurance group in writing.

Adjustments

17. The parent entity of a Level 2 insurance group may apply in writing to APRA to vary the reporting requirements which are otherwise applicable to it under paragraph 3. APRA may in its discretion in writing approve such an application.

Transition

18. The parent entity of a Level 2 insurance group must report in relation to a reporting period ending prior to 1 July 2011 in accordance with the old standard.

Interpretation

19. In this reporting standard (including the attachments):
 - (a) Unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard GPS 001 Definitions*;
 - (b) **APRA-authorised reinsurer** means an insurer carrying on reinsurance business. For the purposes of this definition, a Lloyd's underwriter as defined under the Act is an APRA-authorised reinsurer if it carries on reinsurance business;

business days means ordinary business days, exclusive of Saturdays, Sundays and public holidays;

capital standards means the prudential standards which relate to capital adequacy as defined in *Prudential Standard GPS 001 Definitions*;

foreign insurer means a foreign general insurer within the meaning of the Insurance Act;

Note: A reference to a ‘branch’ or ‘branch operation’ is a reference to the Australian operations of a foreign insurer.

Group Auditor has the meaning given in *Prudential Standard GPS 311 Audit and Actuarial Reporting and Valuation: Level 2 Insurance Groups*;

Insurance Act means the *Insurance Act 1973*;

insurer means a general insurer within the meaning of the Insurance Act;

Note: In the forms and instructions, a reference to an ‘authorised insurer’, ‘authorised insurance entity’ or ‘licensed insurer’ is a reference to an insurer, and a reference to an ‘authorised reinsurance entity’ is a reference to an insurer whose business consists only of undertaking liability by way of reinsurance.

Non-APRA authorised reinsurer means any reinsurer that is not an APRA-authorised reinsurer;

old standard means Reporting Standard GRS 210.0_G (2009) Outstanding Claims Liability – Insurance Risk Charge made by Financial Sector (Collection of Data) (reporting standard) determination No. 22 of 2009;

Principal Executive Officer means the current principal executive officer of the entity, regardless of title, and whether or not he or she is a member of the governing board of the entity;

reporting period means a period mentioned in subparagraph 5(a) or (b) or, if applicable, paragraph 6.

20. A reference to a prudential standard is a reference to the applicable prudential standard made under section 32 of the Insurance Act, as amended from time to time. If the prudential standard has been revoked and replaced, the reference shall be taken to be to the prudential standard that has replaced it.

GRF_210_0A_G Outstanding Claims Liability - Insurance Risk Charge - Australia by class of business

Australian Business Number

Institution Name

Reporting Period

Scale Factor

Thousands of dollars no decimal place

Reporting Consolidation

Level 2 insurance group

Were actuarial services used to complete this return (Yes/No)

Table 1: Direct business (Australian business by class)

Class of business (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Reinsurance recoveries (5)	Non- reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Total OCL net of RI recoveries & non-RI recoveries (9)	OCL capital factor % (10)	OCL insurance risk charge (11)
Houseowners/householders									9%	
Commercial motor vehicle									9%	
Domestic motor vehicle									9%	
Travel									9%	
Fire and ISR									11%	
Marine									11%	
Aviation									11%	
Mortgage									11%	
Consumer Credit									11%	
Other Accident									11%	
Other									11%	
CTP Motor Vehicle									15%	
Public and Product Liability									15%	
Professional Indemnity									15%	
Employers' Liability									15%	

Table 2: Direct business (International)

International region (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Reinsurance recoveries (5)	Non- reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Total OCL net of RI recoveries & non-RI recoveries (9)	OCL capital factor % (10)	OCL insurance risk charge (11)
New Zealand										
South East Asia										
Asia Pacific										
USA										
Americas										
UK/Europe										
Other										

Table 3: Reinsurance business (Australian business by class)

Reinsurance type (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Reinsurance recoveries (5)	Non- reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Total OCL net of RI recoveries & non-RI recoveries (9)	OCL capital factor % (10)	OCL insurance risk charge (11)
Property Treaty Proportional									10%	
Property Treaty Excess of Loss									12%	
Property Facultative Proportional									9%	
Property Facultative Excess of Loss									11%	
Casualty Treaty Proportional									16%	
Casualty Treaty Excess of Loss									18%	
Casualty Facultative Proportional									15%	
Casualty Facultative Excess of Loss									17%	
Marine & Aviation Treaty Proportional									12%	
Marine & Aviation Treaty Excess of Loss									14%	
Marine & Aviation Facultative Proportional									11%	
Marine & Aviation Facultative Excess of Loss									13%	
Reinsurance non-split									18%	

Table 4: Reinsurance business (International)

International region (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Reinsurance recoveries (5)	Non- reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Total OCL net of RI recoveries & non-RI recoveries (9)	OCL capital factor % (10)	OCL insurance risk charge (11)
New Zealand										
South East Asia										
Asia Pacific										
USA										
Americas										
UK/Europe										
Other										

Table 5: Total

Total (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Reinsurance recoveries (5)	Non- reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Total OCL net of RI recoveries & non-RI recoveries (9)	OCL capital factor % (10)	OCL insurance risk charge (11)
Total direct Australian business										
Total direct International business										
Total reinsurance Australian business										
Total reinsurance International business										
Group adjustments										
Total										

Technical provisions in excess or deficit of liability valuation

Technical provisions in excess or deficit of liability valuation

Reporting Form GRF 210.0A_G

Outstanding Claims Liability – Insurance Risk Charge – Australia by class of business (Level 2 Insurance Group)

Instruction Guide

Introduction

This instruction guide is designed to assist in the completion of *GRF 210.0A_G Outstanding Claims Liability – Insurance Risk Charge – Australia by class of business (Level 2 Insurance Group)* (**GRF 210.0A_G**).

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

Audit requirements

The annual return of GRF 210.0A_G required under paragraphs 3(a) and 5(c) of *Reporting Standard GRS 210.0_G Outstanding Claims Liability – Insurance Risk Charge (Level 2 Insurance Group)* (**GRS 210.0_G**) must be subject to a limited assurance¹ 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 Limited assurance is as defined in *Prudential Standard GPS 001 Definitions* (**GPS 001**).

Reporting entities

GRF 210.0A_G 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 insurance group does **not** have a reporting adjustment under paragraph 3(b) of GRS 210.0_G to report on an ‘Australia by region’ rather than ‘Australia by class of business’ basis. If the Level 2 insurance group has a reporting adjustment under paragraph 3(b) of GRS 210.0_G, it must complete *GRF 210.0B_G Outstanding Claims Liability – Insurance Risk Charge – Australia by region (Level 2 Insurance Group) (GRF 210.0B_G)*.

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

Definitions

For Australian business², report insurance business as per APRA-authorized insurer reporting. For international business³, only report insurance business deemed to be general insurance business.⁴ 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 Arrangement in a manner consistent with APRA’s expectations under *Prudential Standard GPS 221 Risk Management: Level 2 Insurance Groups*.

² See GPS 001.

³ See GPS 001.

⁴ For the purposes of prudential reporting, Lloyd’s syndicates are to be reported as international business.

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.

Materiality

GRF 210.0A_G 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 210.0_G):

- 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 210.0A_G in relation to that Level 2 insurance group. APRA may, at its discretion, approve such an application in writing.

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' is as defined in GPS 001 and 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'⁵ 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'* and other Australian accounting standards.

International business is to be reported according to the following regions:

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

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

This form requires the outstanding claims liability of Australian business of the Level 2 insurance group to be reported by class of business written and the international business to be reported by region. For international business, 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 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 charge for international business 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

⁵ See GPS 001

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.

Basis of preparation

Outstanding claims liabilities are to be valued in accordance with the requirements of GPS 311.

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 Table 5.

Specific instructions

Actuarial services

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

Classes of insurance business (1)

Level 2 insurance groups are required to report financial data on both Australian business⁶ and international business⁷.

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, i.e. table 5, may take into account other group adjustments.

Australian business

As outlined in the Introduction, Australian business is to be reported by class in:

- Table 1: Direct business; and
- Table 3: Reinsurance business.

A Level 2 insurance group may apply to APRA for a reporting adjustment under paragraph 3(b) of GRS 210.0_G to report Australian business as a single region. If the reporting adjustment is in place, the Level 2 insurance group must **not** complete this form, and instead complete GRF 210.0B_G.

International business (1)

As outlined in the Introduction, for 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.

Note: Diversification adjustments on international business should be recognised in the risk margin for each geographical region.

Table 1: Direct business (Australian business by class)

The classes of Australian business for Level 2 insurance groups are to be reported according to the classes defined in GPS 001.

⁶ See GPS 001

⁷ See GPS 001

Table 2: Direct business (International)

The sum of the classes of business for each international region is to be entered into the form.

Table 3: Reinsurance business (Australian Business by class)

The classes of Australian business for Level 2 insurance groups that provide reinsurance are to be reported according to the classes defined in GPS 001.

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 by 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.

Table 4: Reinsurance business (International)

The sum of the classes of business for each international region is to be entered into the form.

Table 5: Total

Total direct Australian business

This is automatically calculated by the form and represents the total from Table 1.

Total direct International business

This is automatically calculated by the form and represents the total from Table 2.

Total reinsurance Australian business

This is automatically calculated by the form and represents the total from Table 3.

Total reinsurance International business

This is automatically calculated by the form and represents the total from Table 4.

Group adjustments

Adjustments not recognised in Tables 1-4 are to be reported in this section of the form. Group adjustments are to be reported as negative values.

Total

This is automatically calculated by the form and represents the sum of 'Total direct Australian business', 'Total direct International business', 'Total reinsurance

Australian business', 'Total reinsurance International business' and 'Group adjustments'.

The instructions below relate to all tables and are set out by column.

Outstanding Claims Liability

Outstanding claims liabilities relate to all claims incurred prior to the reporting date, whether or not they have been reported to the Level 2 insurance group. Outstanding claims liabilities are to be recognised and measured in accordance with GPS 311. The value of outstanding claims liabilities must not include any Government charges imposed such as levies, duties and taxes.

Outstanding claims liabilities are to be determined on a prospective basis; both net and gross of reinsurance recoverables and non-reinsurance recoveries.

The valuation of outstanding claims 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 values.

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 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 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 outstanding claims liability that relates to the inherent uncertainty that outcomes will differ from the central estimate. It is aimed at ensuring that the value of the outstanding claims liability 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 recoveries that are deducted from the estimate of gross insurance liabilities. Any allowance for diversification benefits must be apportioned across Australian classes of business and international regions.

Note: any amount of the outstanding claims liability reported in the Statement of Financial Position in excess or deficit of the amount required by GPS 311, will be added back to or deducted from Tier 1 capital in *GRF 120.0_G Determination of Capital Base (Level 2 Insurance Group)* (**GRF 120.0_G**).

For the 'Direct business' and 'Reinsurance' business, amounts are to be reported as follows:

Direct business

Includes outstanding claims liability associated with the insurance business written directly by the Level 2 insurance group.

Reinsurance

Include outstanding claims liability associated with reinsurance business of the Level 2 insurance group under the 'Reinsurance' section.

Gross OCL - Central estimate (2)

For each line of business, report the central estimate of the gross outstanding claims liability that is calculated in accordance with GPS 311.

Gross OCL - Risk margin (3)

For each line of business, report the risk margin for the gross outstanding claims liability that is calculated in accordance with GPS 311.

Gross OCL - Total (4)

'Gross outstanding claims liability-Total' represents the sum of the central estimate and risk margin. This value is automatically calculated by the form.

Reinsurance recoveries⁸ (5)

For each line of business report the reinsurance recoveries associated with the outstanding claims liability calculated in accordance with GPS 311.

Level 2 insurance groups should recognise 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 *Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital*.

Reinsurance recoveries would normally be estimated on the basis of each class of business written by the Level 2 insurance groups. However, there are certain forms of reinsurance where recoveries depend on the combined claims experience of several or all classes of business underwritten by the Level 2 insurance group. In such instances, the estimation will be required to factor in all the individual results by class of business covered by the reinsurance arrangement.

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.

⁸ Reinsurance recoveries has the same meaning as 'Reinsurance recoverables' in GPS 001

For each line of business report the non-reinsurance recoveries associated with the outstanding claims liabilities.

Outstanding Claims Liability - Net of reinsurance and non-reinsurance recoveries

- **Net OCL - Central estimate (7)**

For each line of business report the central estimate, net of reinsurance and non-reinsurance recoveries, associated with the outstanding claims liability that is calculated in accordance with GPS 311.

- **Net OCL - Risk margin (8)**

For each line of business, report the risk margin, net of reinsurance and non-reinsurance recoveries, associated with the outstanding claims liability that is calculated in accordance with GPS 311.

Total OCL net of RI recoveries and Non-RI recoveries (9)

Total Outstanding Claims Liability net of Reinsurance Recoveries and Non-reinsurance Recoveries is calculated as:

- Net Outstanding Claims Liability - Central Estimate; plus
- Net Outstanding Claims Liability – Risk Margin.

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

OCL capital factor % (10)

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

A different treatment applies to international business in this column. As part of the supplementary information provided to APRA, Level 2 insurance groups are required to have mapped their 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.

OCL insurance risk capital charge (11)

This column represents the insurance risk capital charge applicable to each line of business. For Australian business reported by class, the capital charge is calculated on the basis of risk capital factors specified in GPS 115. For international business the insurance risk capital charge is calculated based on the weighted average capital factor reported for each region under '*Outstanding Claims Liability Capital Factor %*' in this form. The outstanding claims liability insurance risk charge is automatically calculated by the form.

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

Technical provisions in excess or deficit of liability valuation

Include in this item the value of Outstanding Claims Liabilities that are recognised in *GRF 300.0_G Statement of Financial Position (Level 2 Insurance Group)* (**GRF 300.0_G**), that are in excess of the outstanding claims liabilities valuation required by GPS 311 (positive value); or those that are in deficit to the outstanding claims liabilities valuation required by GPS 311 (negative value). This is calculated on a net basis as per the following.

Calculate the total Outstanding Claim Liabilities net of Reinsurance and Non-Reinsurance Recoveries (including input tax credits) as reported in GRF 300.0_G as:

- Item 12. (GRF 300.0_G) ‘Outstanding Claims Liability’;
- Less sum of reinsurance recoveries and non-reinsurance recoveries:
 - Item 3.4 (GRF 300.0_G) ‘Net amount recoverable from reinsurance contracts on outstanding claims and paid claims’; plus
 - Item 3.2.1. (GRF 300.0_G) ‘Total net amounts recoverable (other than reinsurance recoveries receivable) on outstanding claims’;
- Less ‘Total OCL Net of Reinsurance and Non-Reinsurance Recoveries’ for all classes of business (including group adjustments) in GRF 210.0A_G.

This value will be included in Item 1.1.4 ‘Technical provisions in excess of liability valuation’ of GRF 120.0_G.

GRF_210_0B_G Outstanding Claims Liability - Insurance Risk Charge - Australia by region (G)

Australian Business Number

Institution Name

Reporting Period

Scale Factor

Reporting Consolidation

Were actuarial services used to complete this return (Yes/No)

Table 1: Direct business (Australian)

Region (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Reinsurance recoveries (5)	Non- reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Total OCL net of RI recoveries & non-RI recoveries (9)	OCL capital factor % (10)	OCL insurance risk charge (11)
Australia										

Table 2: Direct business (International)

International region (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Reinsurance recoveries (5)	Non- reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Total OCL net of RI recoveries & non-RI recoveries (9)	OCL capital factor % (10)	OCL insurance risk charge (11)
New Zealand										
South East Asia										
Asia Pacific										
USA										
Americas										
UK/Europe										
Other										

Table 3: Reinsurance business (Australian)

Region (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Reinsurance recoveries (5)	Non- reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Total OCL net of RI recoveries & non-RI recoveries (9)	OCL capital factor % (10)	OCL insurance risk charge (11)
Australia										

Table 4: Reinsurance business (International)

International region (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Reinsurance recoveries (5)	Non- reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Total OCL net of RI recoveries & non-RI recoveries (9)	OCL capital factor % (10)	OCL insurance risk charge (11)
New Zealand										
South East Asia										
Asia Pacific										
USA										
Americas										
UK/Europe										
Other										

Table 5: Total

Total (1)	Gross OCL - Central estimate (2)	Gross OCL - Risk margin (3)	Gross OCL - Total (4)	Reinsurance recoveries (5)	Non- reinsurance recoveries (6)	Net OCL - Central estimate (7)	Net OCL - Risk margin (8)	Total OCL net of RI recoveries & non-RI recoveries (9)	OCL capital factor % (10)	OCL insurance risk charge (11)
Total direct Australian business										
Total direct International business										
Total reinsurance Australian business										
Total reinsurance International business										
Group adjustments										
Total										

Technical provisions in excess or deficit of liability valuation

Technical provisions in excess or deficit of liability valuation

Reporting Form GRF 210.0B_G

Outstanding Claims Liability – 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 210.0B_G Outstanding Claims Liability – Insurance Risk Charge – Australia by region (Level 2 Insurance Group)* (**GRF 210.0B_G**).

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

Audit requirements

The annual return of GRF 210.0B_G required under paragraphs 3(b) and 5(c) of *Reporting Standard GRS 210.0_G Outstanding Claims Liability – Insurance Risk Charge (Level 2 Insurance Group)* (**GRS 210.0_G**) must be subject to a limited assurance⁹ 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.

⁹ Limited assurance is as defined in *Prudential Standard GPS 001 Definitions* (**GPS 001**).

Reporting entities

GRF 210.0B_G 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 insurance group **has** a reporting adjustment under paragraph 3(b) of GRS 210.0_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 210.0_G, it must complete *GRF 210.0A_G Outstanding Claims Liability – Insurance Risk Charge – Australia by class of business (Level 2 Insurance Group) (GRF 210.0A_G)*.

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

Definitions

For Australian business¹⁰, report insurance business as per APRA-authorized insurer reporting. For international business¹¹, only report insurance business deemed to be general insurance business.¹² 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 Arrangement in a manner consistent with APRA’s expectations under *Prudential Standard GPS 221 Risk Management: Level 2 Insurance Groups*.

¹⁰ See GPS 001.

¹¹ See GPS 001.

¹² For the purposes of prudential reporting, Lloyd’s syndicates are to be reported as international business.

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.

Materiality

GRF 210.0B_G 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 210.0_G):

- 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 210.0B_G in relation to that Level 2 insurance group. APRA may, at its discretion, approve such an application in writing.

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' is as defined in GPS 001 and 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'¹³ 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'* and other Australian accounting standards.

International business is to be reported according to the following regions:

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

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

This form requires the outstanding claims liability of Australian business of the Level 2 insurance group to be reported as a single region and the international business to be reported by region. For both Australian and international business, 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 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 charge for international business are to be provided as

¹³ See GPS 001

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.

Basis of preparation

Outstanding claims liabilities are to be valued in accordance with the requirements of GPS 311.

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 Table 5.

Specific instructions

Actuarial services

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

Classes of insurance business (1)

Level 2 insurance groups are required to report financial data on both Australian business¹⁴ and international business¹⁵.

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, i.e. table 5, may take into account other group adjustments.

Australian business

As outlined in the Introduction, Australian business is to be reported as a single region in:

- Table 1: Direct business; and
- Table 3: Reinsurance business.

A Level 2 insurance group may apply to APRA for a reporting adjustment under paragraph 3(b) of GRS 210.0_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 210.0A_G.

International business (1)

As outlined in the Introduction, for 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 in order to assign an insurance risk capital charge and provide a reporting supplement to APRA.

Note: Diversification adjustments on international business should be recognised in the risk margin for each geographical region.

Table 1: Direct business (Australian)

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

¹⁴ See GPS 001

¹⁵ See GPS 001

Table 2: Direct business (International)

The sum of the classes of business for each international region is to be entered into the form.

Table 3: Reinsurance business (Australian)

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

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 by using an appropriate method (provided the same method is used for all contracts and for all subsequent periods), including the following methods:

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

Table 4: Reinsurance business (International)

The sum of the classes of business for each international region is to be entered into the form.

Table 5: Total

Total direct Australian business

This is automatically calculated by the form and represents the total from Table 1.

Total direct International business

This is automatically calculated by the form and represents the total from Table 2.

Total reinsurance Australian business

This is automatically calculated by the form and represents the total from Table 3.

Total reinsurance International business

This is automatically calculated by the form and represents the total from Table 4.

Group adjustments

Adjustments not recognised in Tables 1-4 are to be reported in this section of the form. Group adjustments are to be reported as negative values.

Total

This is automatically calculated by the form and represents the sum of 'Total direct Australian business', 'Total direct International business', 'Total reinsurance

Australian business', 'Total reinsurance International business' and 'Group adjustments'.

The instructions below relate to all tables and are set out by column.

Outstanding Claims Liability

Outstanding claims liabilities relate to all claims incurred prior to the reporting date, whether or not they have been reported to the Level 2 insurance group. Outstanding claims liabilities are to be recognised and measured in accordance with GPS 311. The value of outstanding claims liabilities must not include any Government charges imposed such as levies, duties and taxes.

Outstanding claims liabilities are to be determined on a prospective basis; both net and gross of reinsurance recoverables and non-reinsurance recoveries.

The valuation of outstanding claims liabilities for each class of business must comprise:

- (c) a central estimate (refer below); and
- (d) a risk margin (refer below) that relates to the inherent uncertainty in the central estimate values.

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 value of insurance liabilities must be the greater of a value that is:

- (c) 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
- (d) the central estimate plus one half of a standard deviation above the mean for the insurance liabilities of the Level 2 insurance group.

(c) 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 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.

(d) 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 outstanding claims liability that relates to the inherent uncertainty that outcomes will differ from the central estimate. It is aimed at ensuring that the value of the outstanding claims liability 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:

- (c) 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
- (d) 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 recoveries that are deducted from the estimate of gross insurance liabilities. Any allowance for diversification benefits must be apportioned across Australian region and international regions.

Note: any amount of the outstanding claims liability reported in the Statement of Financial Position in excess or deficit of the amount required by GPS 311, will be added back to or deducted from Tier 1 capital in *GRF 120.0_G Determination of Capital Base (Level 2 Insurance Group)* (**GRF 120.0_G**).

For the 'Direct business' and 'Reinsurance' business, amounts are to be reported as follows:

Direct business

Includes outstanding claims liability associated with the insurance business written directly by the Level 2 insurance group.

Reinsurance

Include outstanding claims liability associated with reinsurance business of the Level 2 insurance group under the 'Reinsurance' section.

Gross OCL - Central estimate (2)

For each line of business, report the central estimate of the gross outstanding claims liability that is calculated in accordance with GPS 311.

Gross OCL - Risk margin (3)

For each line of business, report the risk margin for the gross outstanding claims liability that is calculated in accordance with GPS 311.

Gross OCL - Total (4)

'Gross outstanding claims liability-Total' represents the sum of the central estimate and risk margin. This value is automatically calculated by the form.

Reinsurance recoveries¹⁶ (5)

For each line of business report the reinsurance recoveries associated with the outstanding claims liability calculated in accordance with GPS 311.

Level 2 insurance groups should recognise 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 *Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital*.

Reinsurance recoveries would normally be estimated on the basis of each class of business written by the Level 2 insurance groups. However, there are certain forms of reinsurance where recoveries depend on the combined claims experience of several or all classes of business underwritten by the Level 2 insurance group. In such instances, the estimation will be required to factor in all the individual results by class of business covered by the reinsurance arrangement.

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.

¹⁶ Reinsurance recoveries has the same meaning as 'Reinsurance recoverables' in GPS 001

For each line of business report the non-reinsurance recoveries associated with the outstanding claims liabilities.

Outstanding Claims Liability - Net of reinsurance and non-reinsurance recoveries

- **Net OCL - Central estimate (7)**

For each line of business report the central estimate, net of reinsurance and non-reinsurance recoveries, associated with the outstanding claims liability that is calculated in accordance with GPS 311.

- **Net OCL - Risk margin (8)**

For each line of business, report the risk margin, net of reinsurance and non-reinsurance recoveries, associated with the outstanding claims liability that is calculated in accordance with GPS 311.

Total OCL net of RI recoveries and Non-RI recoveries (9)

Total Outstanding Claims Liability net of Reinsurance Recoveries and Non-reinsurance Recoveries is calculated as:

- Net Outstanding Claims Liability - Central Estimate; plus
- Net Outstanding Claims Liability – Risk Margin.

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

OCL capital factor % (10)

The OCL 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)*. 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 Australia and 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.

OCL insurance risk capital charge (11)

This column represents the insurance risk capital charge applicable to each line of business. For Australian and international business the insurance risk capital charge is calculated based on the weighted average capital factor reported for each region under '*Outstanding Claims Liability Capital Factor %*' in this form. The outstanding claims liability insurance risk charge is automatically calculated by the form.

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

Technical provisions in excess or deficit of liability valuation

Include in this item the value of Outstanding Claims Liabilities that are recognised in *GRF 300.0_G Statement of Financial Position (Level 2 Insurance Group)* (**GRF 300.0_G**), that are in excess of the outstanding claims liabilities valuation required by GPS 311 (positive value); or those that are in deficit to the outstanding claims liabilities valuation required by GPS 311 (negative value). This is calculated on a net basis as per the following.

Calculate the total Outstanding Claim Liabilities net of Reinsurance and Non-Reinsurance Recoveries (including input tax credits) as reported in GRF 300.0_G as:

- Item 12. (GRF 300.0_G) ‘Outstanding Claims Liability’;
- Less sum of reinsurance recoveries and non-reinsurance recoveries:
 - Item 3.4 (GRF 300.0_G) ‘Net amount recoverable from reinsurance contracts on outstanding claims and paid claims’; plus
 - Item 3.2.1. (GRF 300.0_G) ‘Total net amounts recoverable (other than reinsurance recoveries receivable) on outstanding claims’;
- Less ‘Total OCL Net of Reinsurance and Non-Reinsurance Recoveries’ for all classes of business (including group adjustments) in GRF 210.0B_G.

This value will be included in Item 1.1.4 ‘Technical provisions in excess of liability valuation’ of GRF 120.0_G.