



Reporting Standard GRS 210.1_G (2011)

Premiums Liabilities – 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 premiums 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 210.1A_G Premiums Liabilities – Insurance Risk Charge – Australia by class of business* (Form GRF 210.1A_G) (if paragraph 3(a) applies to the parent entity) and the associated instructions to that form; and
- *Form GRF 210.1B_G Premiums Liabilities – Insurance Risk Charge – Australia by region* (Form GRF 210.1B_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 210.1A_G; or
 - (b) The information required by Form GRF 210.1B_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 210.1A_G (if paragraph 3(a) applies to the parent entity) or Form GRF 210.1B_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-authorized reinsurer;

old standard means Reporting Standard GRS 210.1_G (2009) Premiums Liabilities – Insurance Risk Charge made by Financial Sector (Collection of Data) (reporting standard) determination No. 23 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_1A_G Premium liabilities - Insurance Risk Charge - Australia by class of business (G)

Australian Business Number	<input type="text"/>
Institution Name	<input type="text"/>
Reporting Period	<input type="text"/>
Scale Factor	<input type="text" value="Thousands of dollars no decimal place"/>
Reporting Consolidation	<input type="text" value="Level 2 insurance group"/>

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

Basis of preparation	
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PART A: PREMIUM LIABILITIES - GPS 310 BASIS

Table 1: Direct business (Australian business by class)

Class of business (1)	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Expected reinsurance recoveries (5)	Non-reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Risk margin (8)	Total PL net of expected RI & non-RI recoveries (9)	PL capital factor % (10)	PL insurance risk charge (11)
Houseowners/householders									13.5%	
Commercial motor vehicle									13.5%	
Domestic motor vehicle									13.5%	
Travel									13.5%	
Fire and ISR									16.5%	
Marine									16.5%	
Aviation									16.5%	
Mortgage									16.5%	
Consumer credit									16.5%	
Other accident									16.5%	
Other									16.5%	
CTP motor vehicle									22.5%	
Public and product liability									22.5%	
Professional indemnity									22.5%	
Employers' liability									22.5%	

Table 2: Direct business (International)

International region (1)	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Expected reinsurance recoveries (5)	Non-reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Risk margin (8)	Total PL net of expected RI & non-RI recoveries (9)	PL capital factor % (10)	PL insurance risk charge (11)	Excess technical provision (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK/Europe											
Other											

Table 3: Reinsurance business (Australian business by class)

Reinsurance type (1)	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Expected reinsurance recoveries (5)	Non-reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Risk margin (8)	Total PL net of expected RI & non-RI recoveries (9)	PL capital factor % (10)	PL insurance risk charge (11)
Property Treaty Proportional									15.0%	
Property Treaty Excess of Loss									18.0%	
Property Facultative Proportional									13.5%	
Property Facultative Excess of Loss									16.5%	
Casualty Treaty Proportional									24.0%	
Casualty Treaty Excess of Loss									27.0%	
Casualty Facultative Proportional									22.5%	
Casualty Facultative Excess of Loss									25.5%	
Marine & Aviation Treaty Proportional									18.0%	
Marine & Aviation Treaty Excess of Loss									21.0%	
Marine & Aviation Facultative Proportional									16.5%	
Marine & Aviation Facultative Excess of Loss									19.5%	
Reinsurance non-split									27.0%	

Table 4: Reinsurance business (International)

International region (1)	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Expected reinsurance recoveries (5)	Non-reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Risk margin (8)	Total PL net of expected RI & non-RI recoveries (9)	PL capital factor % (10)	PL insurance risk charge (11)	Excess technical provision (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK/Europe											
Other											

	Gross PL - Central estimate	Gross PL - Risk margin	Gross PL - Total	Expected reinsurance recoveries	Non-reinsurance recoveries	Net PL - Central estimate	Net PL - Risk margin	Total PL net of expected RI & non-RI recoveries	PL capital factor %	PL insurance risk charge	Excess technical provision
Total direct Australian business											
Total direct International business											
Total reinsurance Australian business											
Total reinsurance International business											
Total premium liabilities - GPS 310 basis											

PART B: PREMIUM LIABILITIES - AASB BASIS

Table 5: Direct business (Australian business by class)

Class of business (1)	Unearned premium (2)	Deferred acquisition costs (3)	AASB gross premium liabilities (UPP - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premium liabilities (8)	Technical provision deficiency (9)	Adjusted net premium liabilities (10)	PL capital factor % (11)	PL insurance risk charge (12)
Houseowners/householders										13.5%	
Commercial motor vehicle										13.5%	
Domestic motor vehicle										13.5%	
Travel										13.5%	
Fire and ISR										16.5%	
Marine										16.5%	
Aviation										16.5%	
Mortgage										16.5%	
Consumer credit										16.5%	
Other accident										16.5%	
Other										16.5%	
CTP motor vehicle										22.5%	
Public and product liability										22.5%	
Professional indemnity										22.5%	
Employers' liability										22.5%	

Table 6: Direct business (International)

International region (1)	Unearned premium (2)	Deferred acquisition costs (3)	AASB gross premium liabilities (UPP - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premium liabilities (8)	Technical provision deficiency (9)	Adjusted net premium liabilities (10)	PL capital factor % (11)	PL insurance risk charge (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK/Europe											
Other											

Table 7: Reinsurance business (Australian business by class)

Reinsurance type (1)	Unearned premium (2)	Deferred acquisition costs (3)	AASB gross premium liabilities (UPP - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premium liabilities (8)	Technical provision deficiency (9)	Adjusted net premium liabilities (10)	PL capital factor % (11)	PL insurance risk charge (12)
Property Treaty Proportional										15.0%	
Property Treaty Excess of Loss										18.0%	
Property Facultative Proportional										13.5%	
Property Facultative Excess of Loss										16.5%	
Casualty Treaty Proportional										24.0%	
Casualty Treaty Excess of Loss										27.0%	
Casualty Facultative Proportional										22.5%	
Casualty Facultative Excess of Loss										25.5%	
Marine & Aviation Treaty Proportional										18.0%	
Marine & Aviation Treaty Excess of Loss										21.0%	
Marine & Aviation Facultative Proportional										16.5%	
Marine & Aviation Facultative Excess of Loss										19.5%	
Reinsurance non-split										27.0%	

PART C: ADDITIONAL POLICIES RISK CHARGE**Table 9: Direct business (Australian business by class) - Policies incepting in following reporting period with a material impact on capital requirements and not otherwise included in the capital requirements.**

Class of Business (1)	Net written premium (2)	PL Capital factor % (3)	Additional policies risk charge (4)
Houseowners/householders		13.5%	
Commercial motor vehicle		13.5%	
Domestic motor vehicle		13.5%	
Travel		13.5%	
Fire and ISR		16.5%	
Marine		16.5%	
Aviation		16.5%	
Mortgage		16.5%	
Consumer credit		16.5%	
Other accident		16.5%	
Other		16.5%	
CTP motor vehicle		22.5%	
Public and product liability		22.5%	
Professional indemnity		22.5%	
Employers' liability		22.5%	
Total			

Table 10: Direct business (International) - Policies incepting in following reporting period with a material impact on capital requirements and not otherwise included in the capital requirements.

International region (1)	Net written premium (2)	PL Capital factor % (3)	Additional policies risk charge (4)
New Zealand			
South East Asia			
Asia Pacific			
USA			
Americas			
UK/Europe			
Other			
Total			

Table 11: Reinsurance business (Australian business by class) - Policies incepting in following reporting period with a material impact on capital requirements and not otherwise included in the capital requirements.

Reinsurance type (1)	Net written premium (2)	PL Capital factor % (3)	Additional policies risk charge (4)
Property Treaty Proportional		13.5%	
Property Treaty Excess of Loss		13.5%	
Property Facultative Proportional		13.5%	
Property Facultative Excess of Loss		13.5%	
Casualty Treaty Proportional		16.5%	
Casualty Treaty Excess of Loss		16.5%	
Casualty Facultative Proportional		16.5%	
Casualty Facultative Excess of Loss		16.5%	
Marine & Aviation Treaty Proportional		16.5%	
Marine & Aviation Treaty Excess of Loss		16.5%	
Marine & Aviation Facultative Proportional		16.5%	
Marine & Aviation Facultative Excess of Loss		22.5%	
Reinsurance non-split		22.5%	
Total			

Table 12: Reinsurance business (International) - Policies incepting in following reporting period with a material impact on capital requirements and not otherwise included in the capital requirements.

International region (1)	Net written premium (2)	PL Capital factor % (3)	Additional policies risk charge (4)
New Zealand			
South East Asia			
Asia Pacific			
USA			
Americas			
UK/Europe			
Other			
Total			

PART D: TOTAL PREMIUM LIABILITIES

	Gross premium liabilities	Net premium liabilities	Adjusted net premium liabilities	Group PL insurance risk charge	Additional policies risk charge	Total premiums liabilities risk charge
Australian direct business						
Australian reinsurance business						
International direct business						
International reinsurance business						
Group adjustments						
Total						

Excess technical provisions on premium liabilities

Group adjustments to excess technical provisions	
Total deferred reinsurance expense for future business not yet written	
Total excess technical provisions on premium liabilities	

Reporting Form GRF 210.1A_G

Premiums Liabilities – 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 210.1A_G Premiums Liabilities – Insurance Risk Charge – Australia by class of business (Level 2 Insurance Group)* (**GRF 210.1A_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 210.1A_G required under paragraphs 3(a) and 5(c) of *Reporting Standard GRS 210.1_G Premiums Liabilities – Insurance Risk Charge* (**GRS 210.1_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.

Reporting entities

GRF 210.1A_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 210.1_G to report on an 'Australia by region' rather than 'Australia by class of

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

business' basis. If the Level 2 insurance group has a reporting adjustment under paragraph 3(b) of GRS 210.1_G, it must complete *GRF 210.1B_G Premiums Liabilities – Insurance Risk Charge – Australia by region (Level 2 Insurance Group) (GRF 210.1B_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 Transfer 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 210.1A_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 210.1_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 210.1A_G 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:

- Report premiums liabilities in accordance with the requirements of *Prudential Standard GPS 310 Audit and Actuarial Reporting and Valuation (GPS 310)*.⁵ 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.
- 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.
- 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
- Item 3.7 'Deferred acquisition costs'; plus
- 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)*.

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.

⁵ 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 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 D 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'⁶ 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'⁷ 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.

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.

⁶ See GPS 001

⁷ See GPS 001

Reporting supplement

This form requires the premiums liabilities 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 Australian classes of business as 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 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 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. 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.

Specific instructions

GRF 210.1A_G is comprised of the following.

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

The aggregate value of premiums liabilities for the Level 2 insurance group will be reported in ‘Part D: 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 business⁸ and international business⁹.

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, may take into account other group adjustments.

⁸ See GPS 001.

⁹ See GPS 001.

Australian business

For Part A (Premiums Liabilities – GPS 310 basis), 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 210.1_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 210.1B_G.

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 by class in;

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

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.

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:

- direct business; or
- reinsurance business.

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.

Reinsurance business

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 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.

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.

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 .

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.

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.

Note: any amount of the net insurances liabilities reported in GRF 302.0_G in excess of the amount reported in part A of this form, can be added back to Tier 1 capital in GRF 120.0_G. 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**¹⁰ and GPS 310. This is distinguished from reinsurance recoverables and forms part of reinsurance assets.

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.

¹⁰ See GPS 001.

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)*.

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.

PL Insurance risk charge (11)

This column represents the insurance risk capital charge applicable to premiums liabilities. For Australian business, 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 '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 that are in excess of (positive value) or deficit to (negative value) the premiums liabilities valued in accordance with GPS 310 in part A. This is calculated on a net basis as per the following:

For Australian business, the excess in premiums liabilities is calculated using the following items **reported under ‘Australian business’** in GRF 302.0_G:

- Item 13. ‘Unearned Premium’;
- Less sum of:
 - Item 3.5 ‘Deferred reinsurance expense’; plus
 - Item 3.7 ‘Deferred acquisition costs’;
- Add Item 15 ‘Unexpired risk liability’
- Less the net premiums liabilities on Australian business (direct and reinsurance business) as reported in GRF 210.1A_G.

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

- ‘Total direct Australian business’; and
- ‘Total Australian reinsurance business’.

For international business, the excess in premiums liabilities must be determined separately for each geographic region. This is calculated using the following items **reported under each geographic region** in GRF 302.0_G:

- Item 13. ‘Unearned Premium’;
- Less sum of:
 - Item 3.5 ‘Deferred reinsurance expense’; plus
 - Item 3.7 ‘Deferred acquisition costs’;
- Add Item 15 ‘Unexpired risk liability’
- Less the net premiums liabilities (on direct and reinsurance business) for the geographic region as reported in GRF 210.1A_G.

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

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

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 D 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 (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)*.

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. 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 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)

The net premiums liabilities are calculated as:

- Item 4 'AASB Gross Premium Liabilities (UPP – DAC)'; less
- Item 5 'Deferred Reinsurance Expenses'; 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 (9)

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 plus unexpired risk liability) at a 75% level of sufficiency. This treatment is different to the requirements of AASB 1023. 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. If the Level 2 insurance group chooses to apply a liability adequacy test for the purposes of AASB 1023 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 (10)

Adjusted net premiums liabilities are calculated as:

- Item 8 'AASB Net Premiums Liabilities'; *plus*
- Item 9 'Technical Provision Deficiency'.

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

PL capital factor % (11)

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

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 as defined in GPS 001 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 (12)

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 international business 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.¹¹ 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.¹² 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 liabilities risk charge factor to any inwards proportional reinsurance premium revenue not recognised.

For Tables 9 and 11, Australian business is to be reported by class 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

¹¹ 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.

¹² 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.

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)

This column states the insurance risk capital factor applicable to each line of Australian business. The capital factors are specified in 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.

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 D: 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 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

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_210_1B_G Premium liabilities - 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)

Basis of preparation	
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PART A: PREMIUM LIABILITIES - GPS 310 BASIS

Table 1: Direct business (Australian)

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

Table 2: Direct business (International)

International region (1)	Gross PL Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Expected reinsurance recoveries (5)	Non- reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Risk margin (8)	Total PL net of expected RI & non-RI recoveries (9)	PL capital factor % (10)	PL insurance risk charge (11)	Excess technical provision (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK/Europe											
Other											

Table 3: Reinsurance business (Australian)

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

Table 4: Reinsurance business (International)

International region (1)	Gross PL - Central estimate (2)	Gross PL - Risk margin (3)	Gross PL - Total (4)	Expected reinsurance recoveries (5)	Non-reinsurance recoveries (6)	Net PL - Central estimate (7)	Net PL - Risk margin (8)	Total PL net of expected RI & non-RI recoveries (9)	PL capital factor % (10)	PL insurance risk charge (11)	Excess technical provision (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK/Europe											
Other											

	Gross PL - Central estimate	Gross PL - Risk margin	Gross PL - Total	Expected reinsurance recoveries	Non-reinsurance recoveries	Net PL - Central estimate	Net PL - Risk margin	Total PL net of expected RI & non-RI recoveries	PL capital factor %	PL insurance risk charge	Excess technical provision
Total direct Australian business											
Total direct International business											
Total reinsurance Australian business											
Total reinsurance International business											
Total premium liabilities - GPS 310 basis											

PART B: PREMIUM LIABILITIES - AASB BASIS

Table 5: Direct business (Australian)

Region (1)	Unearned premium (2)	Deferred acquisition costs (3)	AASB gross premium liabilities (UPP - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premium liabilities (8)	Technical provision deficiency (9)	Adjusted net premium liabilities (10)	PL capital factor % (11)	PL insurance risk charge (12)
Australia											

Table 6: Direct business (International)

International region (1)	Unearned premium (2)	Deferred acquisition costs (3)	AASB gross premium liabilities (UPP - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premium liabilities (8)	Technical provision deficiency (9)	Adjusted net premium liabilities (10)	PL capital factor % (11)	PL insurance risk charge (12)
New Zealand											
South East Asia											
Asia Pacific											
USA											
Americas											
UK/Europe											
Other											

Table 7: Reinsurance business (Australian)

Region (1)	Unearned premium (2)	Deferred acquisition costs (3)	AASB gross premium liabilities (UPP - DAC) (4)	Deferred reinsurance expense (5)	Unexpired risk liability (6)	Other (7)	AASB net premium liabilities (8)	Technical provision deficiency (9)	Adjusted net premium liabilities (10)	PL capital factor % (11)	PL insurance risk charge (12)
Australia											

PART C: ADDITIONAL POLICIES RISK CHARGE

Table 9: Direct business (Australian) - Policies incepting in following reporting period with a material impact on capital requirements and not otherwise included in the capital requirements.

Region (1)	Net written premium (2)	PL Capital factor % (3)	Additional policies risk charge (4)
Australia			
Total			

Table 10: Direct business (International) - Policies incepting in following reporting period with a material impact on capital requirements and not otherwise included in the capital requirements.

International region (1)	Net written premium (2)	PL Capital factor % (3)	Additional policies risk charge (4)
New Zealand			
South East Asia			
Asia Pacific			
USA			
Americas			
UK/Europe			
Other			
Total			

Table 11: Reinsurance business (Australian) - Policies incepting in following reporting period with a material impact on capital requirements and not otherwise included in the capital requirements.

Region (1)	Net written premium (2)	PL Capital factor % (3)	Additional policies risk charge (4)
Australia			
Total			

Table 12: Reinsurance business (International) - Policies incepting in following reporting period with a material impact on capital requirements and not otherwise included in the capital requirements.

International region (1)	Net written premium (2)	PL Capital factor % (3)	Additional policies risk charge (4)
New Zealand			
South East Asia			
Asia Pacific			
USA			
Americas			
UK/Europe			
Other			
Total			

PART D: TOTAL PREMIUM LIABILITIES

Total premiums liabilities and insurance risk charge

	Gross premium liabilities	Net premium liabilities	Adjusted net premium liabilities	Group PL insurance risk charge	Additional policies risk charge	Total premiums liabilities risk charge
Australian direct business						
Australian reinsurance business						
International direct business						
International reinsurance business						
Group adjustments						
Total						

Excess technical provisions on premium liabilities

Group adjustments to excess technical provisions	
Total deferred reinsurance expense for future business not yet written	
Total excess technical provisions on premium liabilities	

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 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 assurance¹³ 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 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 210.1_G to report on an 'Australia by region' rather than 'Australia by class' basis. If the Level 2

¹³ Limited assurance is as defined in *Prudential Standard GPS 001 Definitions* (**GPS 001**).

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 business¹⁴, report insurance business as per APRA-authorized insurer reporting. For international business¹⁵, only report insurance business deemed to be general insurance business.¹⁶ 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*.

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.

¹⁴ See GPS 001.

¹⁵ See GPS 001.

¹⁶ For the purposes of prudential reporting, Lloyd’s syndicates are to be reported as international business.

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 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):

- 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 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:

- Report premiums liabilities in accordance with the requirements of *Prudential Standard GPS 310 Audit and Actuarial Reporting and Valuation (GPS 310)*.¹⁷ 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.
- 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.
- 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
- Item 3.7 'Deferred acquisition costs'; plus
- 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)*.

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.

¹⁷ 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)*.

Consolidation adjustments for intra-group reinsurance transactions between entities in different regions should be reported under 'Group adjustments' in Part D 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'¹⁸ 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'¹⁹ 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.

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 premiums liabilities of Australian business of the Level 2 insurance group to be reported by 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

¹⁸ See GPS 001

¹⁹ See GPS 001

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 capital charge for Australian and 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 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. 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.

Specific instructions

GRF 210.1B_G is comprised of the following.

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

The aggregate value of premiums liabilities for the Level 2 insurance group will be reported in ‘Part D: 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 business²⁰ and international business²¹.

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, may take into account other group adjustments.

²⁰ See GPS 001.

²¹ See GPS 001.

Australian business

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

- 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 210.1_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.

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:

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

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.

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

Direct business (Australian region)

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

Reinsurance business

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 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.

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 .

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.

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 .

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.

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:

- (c) a central estimate (refer below); and
- (d) 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:

- (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 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.

(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 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:

- (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 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.

Note: any amount of the net insurances liabilities reported in GRF 302.0_G in excess of the amount reported in part A of this form, can be added back to Tier 1 capital in

GRF 120.0_G. 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**²² and GPS 310. This is distinguished from reinsurance recoverables and forms part of reinsurance assets.

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.

²² See GPS 001.

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)

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)*.

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.

PL Insurance risk charge (11)

This column represents the insurance risk capital charge applicable to premiums liabilities. For Australian and international business 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 that are in excess of (positive value) or deficit to (negative value) the premiums liabilities valued in accordance with GPS 310 in part A. This is calculated on a net basis as per the following:

For Australian business, the excess in premiums liabilities is calculated using the following items **reported under ‘Australian business’** in GRF 302.0_G:

- Item 13. ‘Unearned Premium’;
- Less sum of:
 - Item 3.5 ‘Deferred reinsurance expense’; plus
 - Item 3.7 ‘Deferred acquisition costs’;
- Add Item 15 ‘Unexpired risk liability’
- Less the net premiums liabilities on Australian business (direct and reinsurance business) as reported in GRF 210.1B_G.

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

- ‘Total direct Australian business’; and
- ‘Total Australian reinsurance business’.

For international business, the excess in premiums liabilities must be determined separately for each geographic region. This is calculated using the following items **reported under each geographic region** in GRF 302.0_G:

- Item 13. ‘Unearned Premium’;
- Less sum of:
 - Item 3.5 ‘Deferred reinsurance expense’; plus
 - Item 3.7 ‘Deferred acquisition costs’;
- Add Item 15 ‘Unexpired risk liability’
- Less the net premiums liabilities (on direct and reinsurance business) for the geographic region as reported in GRF 210.1B_G.

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

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

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 D 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 (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)*.

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. 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 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)

The net premiums liabilities are calculated as:

- Item 4 'AASB Gross Premium Liabilities (UPP – DAC)'; less
- Item 5 'Deferred Reinsurance Expenses'; 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 (9)

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 plus unexpired risk liability) at a 75% level of sufficiency. This treatment is different to the requirements of AASB 1023. 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. If the Level 2 insurance group chooses to apply a liability adequacy test for the purposes of AASB 1023 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 (10)

Adjusted net premiums liabilities are calculated as:

- Item 8 'AASB Net Premiums Liabilities'; *plus*
- Item 9 'Technical Provision Deficiency'.

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

PL capital factor % (11)

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.

PL insurance risk charge (12)

This column represents the insurance risk capital charge applicable to premium liabilities. For Australian and international business 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.²³ The materiality of the business that incepts in the next reporting period

²³ 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,

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.²⁴ 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 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.

insurers will hold sufficient capital for all general insurance contracts for which the general insurer is committed, regardless of when the contract incepts.

²⁴ 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.

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 D: 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 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

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.