



## Reporting Standard GRS 301.0\_G (2011)

### Reinsurance Assets and 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 reinsurance assets and their associated risk charges.

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

- *Form GRF 301.0\_G Reinsurance Assets and Risk Charge* (Form GRF 301.0\_G) and the associated instructions (which are attached and all form part of this reporting standard); and
- any prudential standards referenced in the attached instructions.

#### Purpose

1. Data collected in Form GRF 301.0\_G 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 information required by the Form GRF 301.0\_G for each reporting period specified in paragraph 5 for the Level 2 insurance group.

## 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 301.0\_G 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 of *GRF 301.0\_G Reinsurance Assets and Risk Charge (Level 2 Insurance Group)* in relation to that Level 2 insurance group. APRA may in its discretion in writing approve such an application.

### **Transition**

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

### **Interpretation**

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

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

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

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

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

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

***Insurance Act*** means the *Insurance Act 1973*;

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

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

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

***old standard*** means Reporting Standard GRS 301.0\_G (2009) Reinsurance Assets and Risk Charge made by Financial Sector (Collection of Data) (reporting standard) determination No. 25 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\_301\_0\_G Reinsurance Assets and Risk Charge (G)**

**Australian Business Number**

**Institution Name**

**Reporting Period**

**Scale Factor**

**Reporting Consolidation**

	Amount	Investment capital factor %	Investment risk charge
<b>1. Reinsurance recoverables on outstanding claims and paid claims</b>			
<b>1.1 Net amounts recoverable from reinsurance contracts on outstanding claims and paid claims:</b>			
1.1.1 on Australian business			
1.1.2 on international business			
1.1.3 Inter-region elimination			
1.1.4 Paid claims (all business)			
1.1.5 Outstanding claims liabilities (all business)			
<b>1.2 Net amount recoverable from reinsurance contracts on outstanding claims and paid claims on international business:</b>			
1.2.1 Grade 1 or 2			
1.2.2 Grade 3			
1.2.3 Grade 4			
1.2.4 Grade 5			
<b>1.3 Net amount recoverable from reinsurance contracts on outstanding claims and paid claims from APRA-authorized reinsurers on Australian business:</b>			
1.3.1 Grade 1 or 2			
1.3.2 Grade 3			
1.3.3 Grade 4			
1.3.4 Grade 5			
<b>1.4 Net amount recoverable from reinsurance contracts on outstanding claims and paid claims from non-APRA-authorized reinsurers on Australian business, except for amounts outstanding on and from second annual balance date after the event giving rise to the reinsurance recoverables:</b>			
1.4.1 Grade 1 or 2			
1.4.2 Grade 3			
1.4.3 Grade 4			
1.4.4 Grade 5			
<b>1.5 Net amount recoverable from reinsurance contracts on outstanding claims and paid claims from non-APRA-authorized reinsurers, on Australian business, that are amounts outstanding on and from second annual balance date after the event giving rise to the reinsurance recoverables:</b>			
1.5.1 Grade 1			
1.5.1.1 of which supported by security arrangements in Australia			
1.5.2 Grade 2			
1.5.2.1 of which supported by security arrangements in Australia			
1.5.3 Grade 3			
1.5.3.1 of which supported by security arrangements in Australia			
1.5.4 Grade 4			
1.5.4.1 of which supported by security arrangements in Australia			
1.5.5 Grade 5			
1.5.5.1 of which supported by security arrangements in Australia			
1.6 Net amount recoverable on Australian business from non-APRA-authorized reinsurers which are overdue for more than 6 months			
1.7 Net amount related to reinsurance contracts on Australian business that do not meet the reinsurance documentation test			
1.8 Net amount recoverable under reinsurance contracts, on Australian business, that do not meet governing law requirements			
1.9 Net amount related to reinsurance contracts on international business that do not meet relevant reinsurance documentation tests in a local jurisdiction (and a deduction is required in that jurisdiction)			

**2. Deferred reinsurance expense**

<b>2.1 Deferred reinsurance expense attributed to:</b>			
2.1.1 Australian business			
2.1.2 International business			
2.1.3 Inter-region elimination			
<b>2.2 Deferred reinsurance expense on international business</b>			
2.2.1 Grade 1 or 2			
2.2.2 Grade 3			
2.2.3 Grade 4			
2.2.4 Grade 5			
<b>2.3 Deferred reinsurance expense attributed to APRA-authorized reinsurers on Australian business</b>			
2.3.1 Grade 1 or 2			
2.3.2 Grade 3			
2.3.3 Grade 4			
2.3.4 Grade 5			
<b>2.4 Deferred reinsurance expense attributed to non-APRA-authorized reinsurers on Australian business</b>			
2.4.1 Grade 1 or 2			
2.4.2 Grade 3			
2.4.3 Grade 4			
2.4.4 Grade 5			
2.5 Deferred reinsurance expense related to reinsurance contracts on Australian business that do not meet the reinsurance documentation test			
2.6 Deferred reinsurance expense related to reinsurance contracts on Australian business that do not meet governing law requirements			
2.7 Deferred reinsurance expense related to reinsurance contracts on international business that do not meet relevant reinsurance documentation tests in a local jurisdiction (and a deduction is required in that jurisdiction)			

**3. Other reinsurance assets receivable from reinsurers**

<b>3.1 Net amount of other reinsurance assets</b>			
3.1.1 on Australian business			
3.1.2 on International business			
3.1.3 Inter-region elimination			
<b>3.2 Net amount of other reinsurance assets on international business</b>			
3.2.1 Grade 1 or 2			
3.2.2 Grade 3			
3.2.3 Grade 4			
3.2.4 Grade 5			
<b>3.3 Net amount of other reinsurance assets on Australian business receivable from APRA-authorized reinsurers</b>			
3.3.1 Grade 1 or 2			
3.3.2 Grade 3			
3.3.3 Grade 4			
3.3.4 Grade 5			
<b>3.4 Net amount of other reinsurance assets on Australian business receivable from non-APRA-authorized reinsurers</b>			
3.4.1 Grade 1 or 2			
3.4.2 Grade 3			
3.4.3 Grade 4			
3.4.4 Grade 5			
3.5 Net amounts related to reinsurance contracts on Australian business that do not meet the reinsurance documentation test			
3.6 Net amounts related to reinsurance contracts on Australian business that do not meet governing law requirements			
3.7 Net amounts related to reinsurance contracts on international business that do not meet relevant reinsurance documentation tests in a local jurisdiction (and a deduction is required in that jurisdiction)			

<b>4. Net reinsurance assets</b>			
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# Reporting Form GRF 301.0\_G

## Reinsurance Assets and Risk Charge (Level 2 Insurance Group)

### Instruction Guide

#### Introduction

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

GRF 301.0\_G provides APRA with the necessary information on reinsurance assets<sup>1</sup> and to calculate the applicable risk charges on such assets in accordance with *Prudential Standard GPS 111 Capital Adequacy: Level 2 Insurance Groups* (**GPS 111**).

#### Audit requirements

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

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

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

#### Reporting entities

GRF 301.0\_G is to be completed by the parent entity of a level 2 insurance group as defined under *Prudential Standard GPS 001 Definitions* (**GPS 001**).

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

<sup>2</sup> Limited assurance is as defined in GPS 001.

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

### **Unit of measurement**

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

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

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

### **Definitions**

For Australian business<sup>3</sup>, report insurance business as per APRA-authorized insurer reporting. For international business<sup>4</sup>, only report insurance business deemed by APRA to be general insurance business.<sup>5</sup> For prudential reporting purposes 'Level 1 Insurer' is as defined in GPS 001.

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

### **Reporting period**

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

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

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

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

<sup>4</sup> See GPS 001.

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

## Reporting lag

Submission times for Level 2 reporting forms are as follows (in accordance with GRS 301.0\_G):

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

## Risk charge

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

## Adjustments

The parent entity of a Level 2 insurance group may apply in writing to APRA to vary the reporting requirements of GRF 301.0\_G in relation to that Level 2 insurance group. APRA may, at its discretion, approve such an application in writing.

## Materiality

GRF 301.0\_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.

## Australian and international business

Level 2 insurance groups are required to report financial data on both Australian and international exposures. 'Australian Business'<sup>6</sup> means insurance business carried on by any Level 1 insurer within a Level 2 insurance group. 'International Business'<sup>7</sup> is insurance business carried on by an entity within the group that is not authorised under the *Insurance Act 1973*. Therefore, for the purposes of prudential reporting, all insurance business written by Level 1 insurers<sup>8</sup> is deemed to be Australian business. This treatment is different to the requirements of *Australian Accounting Standard AASB 1023 'General Insurance Contracts' (AASB 1023)*.

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<sup>6</sup> See GPS 001

<sup>7</sup> See GPS 001

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

## Basis of preparation

Level 2 insurance groups are requested to follow the Australian accounting standards regarding the definition, recognition and measurement of reinsurance assets, notably AASB 1023, except where indicated otherwise in the instruction guide.

## Reinsurance assets from non-APRA-authorised reinsurers

Different treatment is accorded to certain reinsurance assets<sup>9</sup> from a ‘non-APRA-authorized reinsurer’<sup>10</sup> as specified in GPS 111 and GPS 114.

For Australian business, the applicable investment risk charge is calculated in accordance with GPS 111 based on whether the amount is recoverable from ‘APRA-authorized reinsurers’<sup>11</sup> or non-APRA-authorized reinsurers. In addition, different investment risk charges apply to reinsurance recoverables from non-APRA-authorized reinsurers on and from the second annual balance date after the event giving rise to the reinsurance recoverable. These risk charges apply only to the extent that the reinsurance recoverables arise under reinsurance contracts incepting on or after 31 December 2008 and are not supported by collateral, guarantee or a letter of credit<sup>12</sup>.

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

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

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

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

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

<sup>9</sup> Subject to transition rules relating to such reinsurance recoverables.

<sup>10</sup> Non-APRA-authorized reinsurers have the same meaning as in GRS 301.0\_G.

<sup>11</sup> APRA-authorized reinsurers have the same meaning as in GRS 301.0\_G.

<sup>12</sup> See paragraphs 23-26 of GPS 114

## Limited Risk Transfer Arrangements

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

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

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

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

## Specific instructions

### Amount

Amounts recorded are to be recognised in accordance with Australian accounting standards, notably AASB 1023 except where otherwise indicated.

### Investment capital factor %

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

### Investment risk charge

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

## 1. Reinsurance recoverables on outstanding claims and paid claims

Reinsurance recoverables has the same meaning as in GPS 001, where any amounts due to an insurer from a reinsurer that arises from the recognition of outstanding claims liabilities referred to in the capital standards<sup>13</sup> and GPS 311. Reinsurance recoverables on paid claims should also be recognised.

Reinsurance recoverables are to be reported on the same basis as the amount recorded on *GRF 300.0\_G Statement of Financial Position (Level 2 Insurance Group) (GRF 300.0\_G)* at item 3.4 or item 3.6.

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

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

- Reinsurance Documentation Test

The amounts reported under items 1.3 to 1.6 should only include the amounts due from reinsurers under reinsurance contracts that meet the reinsurance documentation test<sup>14</sup> (refer to *Prudential Standard GPS 112 Capital Adequacy: Measurement of Capital (GPS 112)*).

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

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

<sup>13</sup> Capital standards has the same meaning as in GPS 001.

<sup>14</sup> Subject to transition rules relating to this deduction.

deduction is required in that jurisdiction) in item 1.9. As these amounts are deducted from capital, they do not attract a risk charge in GRF 301.0\_G.

- Governing Law Requirements

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

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

Report the net amount due from reinsurers under reinsurance contracts entered into by the Level 2 insurance group incepting on or after 31 December 2008 that do not meet the governing law requirements in item 1.8. As this amount is deducted from capital, it is not risk charged in GRF 301.0\_G.

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

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

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

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

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

- Reinsurance assets from non-APRA-authorized reinsurers

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

As mentioned above, different investment risk charges are applicable to certain reinsurance recoverables<sup>16</sup> due from non-APRA-authorised reinsurers calculated in accordance with GPS 111.

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

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

Disclosure is required as follows:

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

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

#### **1.1.1 on Australian business;**

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

#### **1.1.2 on international business;**

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

#### **1.1.3 Inter-region elimination;**

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

#### **1.1.4 Paid claims (all business); and**

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

#### **1.1.5 Outstanding claims liabilities (all business)**

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<sup>16</sup> Subject to transition rules relating to such reinsurance recoverables.

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

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

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

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

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

1.2.1 Grade 1 or 2

1.2.2 Grade 3

1.2.3 Grade 4

1.2.4 Grade 5

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

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

Where there is collateral, guarantee or a letter of credit supporting the reinsurance recoverable, the adjustment to the risk charge will be reflected in *GRF 131.0\_G*.

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

1.3.1 Grade 1 or 2

1.3.2 Grade 3

1.3.3 Grade 4

## 1.3.4 Grade 5

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

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

Where there is collateral, guarantee or a letter of credit supporting the reinsurance recoverable, the adjustment to the risk charge will be reflected in GRF 131.0\_G.

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

## 1.4.1 Grade 1 or 2

## 1.4.2 Grade 3

## 1.4.3 Grade 4

## 1.4.4 Grade 5

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

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

Where there is collateral, guarantee or a letter of credit supporting the reinsurance recoverable, the adjustment to the risk charge will be reflected in GRF 131.0\_G.

Note: The disclosure relating to amounts which are supported by security arrangements in Australia requests disclosure of the net amounts to the

extent that the reinsurance recoverables *are supported* by collateral, guarantee or a letter of credit. These are to be reported against the counterparty rating as if the security arrangements were not in place.

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

1.5.1 Grade 1

*1.5.1.1 Of which supported by security arrangements in Australia*

1.5.2 Grade 2

*1.5.2.1 Of which supported by security arrangements in Australia*

1.5.3 Grade 3

*1.5.3.1 Of which supported by security arrangements in Australia*

1.5.4 Grade 4

*1.5.4.1 Of which supported by security arrangements in Australia*

1.5.5 Grade 5

*1.5.5.1 Of which supported by security arrangements in Australia*

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

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

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

- (a) the recoverable has become a receivable (i.e. it is due and payable); and
- (b) the receivable is overdue for more than six months since a request for payment has been made to the reinsurer; and
- (c) there is no formal dispute between the insurer and reinsurer in relation to that receivable<sup>17</sup>.

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<sup>17</sup> See GPS 114

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

Reinsurance assets under each reinsurance arrangement that do not meet the reinsurance documentation test as specified in paragraph 33 of GPS 112 will be deducted from Tier 1 capital of the Level 2 insurance group. Note the reinsurance documentation test applies on an insurer level. Any deductions required at Level 1, as a result of reinsurance contracts that do not meet the reinsurance documentation test, will also be deducted at Level 2. Hence, the aggregate amount deducted from the Tier 1 capital of the Level 2 insurance group in relation to reinsurance assets from reinsurance contracts that do not meet the reinsurance documentation test will be the sum of the corresponding deductions required for Level 1 insurers.

Report the net amount related to reinsurance contracts that do not meet the reinsurance documentation test. This includes reinsurance assets relating to reinsurance contracts that do meet the reinsurance documentation tests, but are required to be deducted from capital under paragraph 25(1) of GPS 112. This amount is deducted from capital, as such it is not risk charged in GRF 301.0\_G.

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

Report the net amounts due from reinsurers under reinsurance contracts on Australian business entered into by the Level 2 insurance group incepting on or after 31 December 2008 that *do not* meet the 'governing law requirements'<sup>18</sup>, specified in GPS 230.

This amount is deducted from capital, as such it is not risk charged in GRF 301.0\_G.

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

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

This amount is deducted from capital, as such it is not risk charged in GRF 301.0\_G.

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<sup>18</sup>

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

## **2. Deferred reinsurance expense**

Report the value, as at the reporting date, of deferred reinsurance expense (DRE), determined in accordance with prudential standards.

### **2.1 Deferred reinsurance expense attributed to:**

Items 2.1.1 to 2.1.3 are to include deferred reinsurance expense related to both non-APRA-authorized reinsurers and APRA-authorized reinsurance.

Report the total of deferred reinsurance expense attributed to:

- 2.1.1 Australian business;
- 2.1.2 International business; and
- 2.1.3 Inter-region elimination.

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

Amounts reported under items 2.5 to 2.7 should not be reported under items 2.2 to 2.4.

### **2.2 Deferred reinsurance expense on international business**

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

- 2.2.1 Grade 1 or 2
- 2.2.2 Grade 3
- 2.2.3 Grade 4
- 2.2.4 Grade 5

### **2.3 Deferred reinsurance expense attributed to APRA-authorized reinsurers on Australian business**

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

- 2.3.1 Grade 1 or 2
- 2.3.2 Grade 3
- 2.3.3 Grade 4
- 2.3.4 Grade 5

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

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

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

2.4.1 Grade 1 or 2

2.4.2 Grade 3

2.4.3 Grade 4

2.4.4 Grade 5

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

Report the deferred reinsurance expense related to reinsurance contracts on Australian business that do not meet the reinsurance documentation test. As this amount is deducted from capital, it does not attract a risk charge in GRF 301.0\_G.

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

Report the deferred reinsurance expense related to reinsurance contracts on Australian business that do not meet the governing law requirements. As this amount is deducted from capital, it does not attract a risk charge in GRF 301.0\_G.

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

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

As this amount is deducted from capital, it does not attract a risk charge in GRF 301.0\_G.

### **3. Other reinsurance assets receivable from reinsurers**

For Australian business, a different investment risk capital charge applies to certain reinsurance assets<sup>19</sup> due from non-APRA-authorized reinsurers calculated in accordance with GPS 111. The applicable investment risk charge is based on whether the amount is recoverable from APRA-authorized reinsurers or non-APRA-authorized reinsurers. In addition, GPS 111 applies a different treatment to reinsurance assets for international business consolidated into the Level 2 insurance group. For these entities, the reinsurance assets attract the investment risk capital charges that apply to APRA-authorized reinsurers.

#### **3.1 Net amount of other reinsurance assets**

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

Report the net amount of other reinsurance assets attributed to:

- 3.1.1 Australian business;
- 3.1.2 International business; and
- 3.1.3 Inter-region elimination.

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

Amounts reported under items 3.5 to 3.7 should not be reported under items 3.2 to 3.4.

#### **3.2 Net amount of other reinsurance assets on international business**

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

- 3.2.1 Grade 1 or 2
- 3.2.2 Grade 3
- 3.2.3 Grade 4
- 3.2.4 Grade 5

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<sup>19</sup> Subject to transition rules relating to such reinsurance assets.

### **3.3 Net amount of other reinsurance assets on Australian business receivable from APRA-authorized reinsurers**

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

3.3.1 Grade 1 or 2

3.3.2 Grade 3

3.3.3 Grade 4

3.3.4 Grade 5

### **3.4 Net amount of other reinsurance assets on Australian business receivable from non-APRA-authorized reinsurers**

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

3.4.1 Grade 1 or 2

3.4.2 Grade 3

3.4.3 Grade 4

3.4.4 Grade 5

Amounts reported under items 3.5 to 3.6 should only be reported under one of those items, in order avoid double-counting.

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

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

Report the net amount related to reinsurance contracts that do not meet the reinsurance documentation test. As this amount is deducted from capital, it does not attract a risk charge in GRF 301.0\_G.

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

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

Report the net amount of recoveries under reinsurance contracts that do not meet governing law requirements. As this amount is deducted from capital, it does not attract a risk charge in GRF 301.0\_G.

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

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

As this amount is deducted from capital, it does not attract a risk charge in GRF 301.0\_G.

**4. Net reinsurance assets**

This is automatically calculated by the form and represents the sum of the net reinsurance assets reported in items 1.1, 2.1, and 3.1.