

**Financial Sector (Collection of Data) (reporting standard) determination No. 37 of 2023**

**Reporting Standard LRS 420.0 Assets Backing Policy Liabilities**

*Financial Sector (Collection of Data) Act 2001*

I, Michael Murphy, delegate of APRA, under paragraph 13(1)(a) of the *Financial Sector (Collection of Data) Act 2001* (the Act) and subsection 33(3) of the *Acts Interpretation Act 1901*:

1. REVOKE Financial Sector (Collection of Data) (reporting standard) determination No. 58 of 2013, including *Reporting Standard LRS 420.0 Assets Backing Policy Liabilities* made under that Determination; and
2. DETERMINE *Reporting Standard LRS 420.0 Assets Backing Policy Liabilities,* in the form set out in the Schedule, which applies to the financial sector entities to the extent provided in paragraph 3 of the reporting standard.

Under section 15 of the Act, I DECLARE that the reporting standard shall begin to apply to those financial sector entities on 1 April 2023, and the revoked reporting standard shall cease to apply, on 1 April 2023.

This instrument commences on 1 April 2023.

Dated: 16 March 2023

Michael Murphy

General Manager – Chief Data Officer (Acting),

Technology and Data Division

**Interpretation**

In this Determination:

***APRA*** means the Australian Prudential Regulation Authority.

***financial sector entity*** has the meaning given by section 5 of the Act.

**Schedule**

*Reporting Standard LRS 420.0 Assets Backing Policy Liabilities* comprises the document commencing on the following page.



# Reporting Standard LRS 420.0

## Assets Backing Policy Liabilities

### Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA in relation to assets backing a life company’s policy liabilities.

It includes *Form LRF* 420.0 Assets Backing Policy Liabilities andassociated specific instructions and must be read in conjunction with the general instruction guide.

**Authority**

1. This Reporting Standard is made under section 13 of the *Financial Sector (Collection of Data) Act 2001* (Collection of Data Act).

**Purpose**

1. Information collected in *Form LRF 420.0 Assets Backing Policy Liabilities* (LRF 420.0) is used by APRA for the purpose of prudential supervision including assessing compliance with capital standards.

**Application and commencement**

1. This Reporting Standard applies to all life insurance companies including friendly societies (together referred to as ‘life companies’) registered under the *Life Insurance Act 1995* (Life Insurance Act). This Reporting Standard applies for reporting periods ending on or after 1 April 2023.

**Information required**

1. A life company must provide APRA with the information required by the Form LRF 420.0for each reporting period.
2. The information reported to APRA under this Reporting Standard is not required to be given to policy owners pursuant to section 124 of the Life Insurance Act. It does not constitute a reporting document for the purposes of section 124.

**Method of submission**

1. The information required by this Reporting Standard must be given to APRA:
	1. in electronic format using an electronic method available on APRA’s website; or
	2. by a method notified by APRA prior to submission.

**Reporting periods and due dates**

1. Subject to paragraph 8, a life company must provide the information required by this Reporting Standard in respect of each financial year of the life company on an audited basis.

*Note:* The annual audited form must be submitted in conjunction with the annual auditor’s report, as required under *Prudential Standard* LPS *310 Audit and Related Matters* (LPS 310).

1. If, having regard to the particular circumstances of a life company, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by paragraph 7, APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular life company.
2. The information required by this Reporting Standard in respect of a life company must be provided to APRA:
	1. within the time stated in *Reporting Standard LRS 001 Reporting Requirements* (LRS 001); or
	2. in the case of information provided in accordance with paragraph 8, within the time specified by notice in writing.

**Quality control**

1. The information provided by a life company under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Auditor of the life company. This will require the Auditor to review and test the life company’s systems, processes and controls supporting the reporting of the information to enable the life company to provide reliable financial information to APRA. This review and testing must be done on:
	1. an annual basis or more frequently if necessary to enable the Auditor to form an opinion on the reliability and accuracy of data; and
	2. at least a limited assurance engagement consistent with 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 LPS 310.
2. All information provided by a life company under this Reporting Standard must be subject to systems, processes and controls developed by the life company for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the life company to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.
3. Actuarial valuations and calculations included in or used in the preparation of the information provided to APRA must be in accordance with the prudential standards in force for the reporting period. However, life companies may use reasonable estimates when preparing information that will not be audited (i.e. for the first four submissions of information for a full financial year).

**Authorisation**

1. When an officer of a life company provides the information required by this Reporting Standard, it will be necessary for the officer to digitally sign the relevant information using a digital certificate acceptable to APRA.
2. An officer of a life company submitting information under this Reporting Standard must be authorised by either:
	1. the Principal Executive Officer of the life company; or
	2. the Chief Financial Officer of the life company.

# Variations

1. APRA may, by written notice to the life company, vary the reporting requirements of Form LRF 420.0in relation to that life company.

**Transition**

1. A life company must report under the old reporting standard in respect of a transitional reporting period. For these purposes:

***old reporting standard*** means the reporting standard revoked by the determination making this Reporting Standard; and

***transitional reporting period*** means a reporting period under the old reporting standard:

1. which ended before the date of revocation of the old reporting standard; and
2. in relation to which the life company was required, under the old reporting standard, to report by a date on or after the date of revocation of the old reporting standard.

*Note:* For the avoidance of doubt, if a life company was required to report under an old reporting standard, and the reporting documents were due before the date of revocation of the old reporting standard, the life company is still required to provide any overdue reporting documents in accordance with the old reporting standard.

**Interpretation**

1. In this Reporting Standard (including the attachments):
2. unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard LPS 001 Definitions* (LPS 001); and
3. ***capital standards*** means the prudential standards which relate to capital adequacy as defined in LPS 001;

***Chief Financial Officer*** means the chief financial officer of the life company, by whatever name called;

***financial year*** has the meaning in the *Corporations Act 2001*;

***general instruction guide*** refers to the general instruction guide set out in Attachment A of LRS 001;

***Principal Executive Officer*** means the principal executive officer of the life company, by whatever name called, and whether or not he or she is a member of the governing board of the entity; and

***reporting period*** meansa reporting period under paragraph 7 or, if applicable, paragraph 8.

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| **LRF\_420\_0: Assets Backing Policy Liabilities** |

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| **Australian Business Number** | **Institution Name** |
|  | Life company other than friendly societies |
| **Reporting Period** | **Scale Factor**  |
| Annual | Thousands |
| **Reporting Consolidation** |  |
| Statutory fund |  |

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| 1. **All Statutory Fund Products**
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| **Class of business** | **Product group** | **Cash** | **Investment property** | **Equities** | **Non-indexed IBS** | **Indexed IBS** | **Loans** | **Other investment assets** | **Receivables** | **Gross policy liabilities ceded under reinsurance** | **Deferred tax assets** |
|  |  | **(1)** | **(2)** | **(3)** | **(4)** | **(5)** | **(6)** | **(7)** | **(8)** | **(9)** | **(10)** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Australia - Ordinary Business | L1. Conventional Participating |  |  |  |  |  |  |  |  |  |  |
| Australia - Superannuation Business | L2. Participating Investment Account |  |  |  |  |  |  |  |  |  |  |
| Overseas - All Business | L3. Annuity with Longevity Risk |  |  |  |  |  |  |  |  |  |  |
|  | L4. Individual Lump Sum Risk |  |  |  |  |  |  |  |  |  |  |
|  | L5. Individual Disability Income Insurance |  |  |  |  |  |  |  |  |  |  |
|  | L6. Group Lump Sum Risk |  |  |  |  |  |  |  |  |  |  |
|  | L7. Group Disability Income Insurance |  |  |  |  |  |  |  |  |  |  |
|  | L8. Investment Linked |  |  |  |  |  |  |  |  |  |  |
|  | L9. Non-par Investment Policy with Discretionary Additions |  |  |  |  |  |  |  |  |  |  |
|  | L10. Other Non-par Investment Policy |  |  |  |  |  |  |  |  |  |  |
|  | L11. Annuity without Longevity Risk |  |  |  |  |  |  |  |  |  |  |
|  | L12. Other |  |  |  |  |  |  |  |  |  |  |

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| **Class of business** | **Product group** | **Other non-investment assets** | **Total assets attributable to product groups** | **Effective borrowings on a look-through basis** | **Tax liabilities** | **Other liabilities, apart from borrowings and tax liabilities** | **Total liabilities attributable to product groups** | **Net total of assets backing policy liabilities** | **Proportion (%) exposed to foreign currencies** |  |  |
|  |  | **(11)** | **(12)** | **(13)** | **(14)** | **(15)** | **(16)** | **(17)** | **(18)** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Australia - Ordinary Business | L1. Conventional Participating |  |  |  |  |  |  |  |  |  |  |
| Australia - Superannuation Business | L2. Participating Investment Account |  |  |  |  |  |  |  |  |  |  |
| Overseas - All Business | L3. Annuity with Longevity Risk |  |  |  |  |  |  |  |  |  |  |
|  | L4. Individual Lump Sum Risk |  |  |  |  |  |  |  |  |  |  |
|  | L5. Individual Disability Income Insurance |  |  |  |  |  |  |  |  |  |  |
|  | L6. Group Lump Sum Risk |  |  |  |  |  |  |  |  |  |  |
|  | L7. Group Disability Income Insurance |  |  |  |  |  |  |  |  |  |  |
|  | L8. Investment Linked |  |  |  |  |  |  |  |  |  |  |
|  | L9. Non-par Investment Policy with Discretionary Additions |  |  |  |  |  |  |  |  |  |  |
|  | L10. Other Non-par Investment Policy |  |  |  |  |  |  |  |  |  |  |
|  | L11. Annuity without Longevity Risk |  |  |  |  |  |  |  |  |  |  |
|  | L12. Other |  |  |  |  |  |  |  |  |  |  |

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| 1. **Assets allocated to support sub-groups of participating/non-participating benefits**
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| **Class of business** | **Product group** | **Sub-group description** | **Cash** | **Investment property** | **Equities** | **Non-indexed IBS** | **Indexed IBS** | **Loans** | **Other investment assets** | **Receivables** | **Gross policy liabilities ceded under reinsurance** |
|  |  |  | **(1)** | **(2)** | **(3)** | **(4)** | **(5)** | **(6)** | **(7)** | **(8)** | **(9)** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Australia - Ordinary Business | L1. Conventional Participating |  |  |  |  |  |  |  |  |  |  |
| Australia - Superannuation Business | L2. Participating Investment Account |  |  |  |  |  |  |  |  |  |  |
| Overseas - All Business | L9. Non-par Investment Policy with Discretionary Additions |  |  |  |  |  |  |  |  |  |  |

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| **Class of business** | **Product group** | **Sub-group description** | **Deferred tax assets** | **Other non-investment assets** | **Total assets attributable to product groups** | **Effective borrowings on a look-through basis** | **Tax liabilities** | **Other liabilities, apart from borrowings and tax liabilities** | **Total liabilities attributable to product groups** | **Net total of assets backing policy liabilities** | **Proportion (%) exposed to foreign currencies** |
|  |  |  | **(10)** | **(11)** | **(12)** | **(13)** | **(14)** | **(15)** | **(16)** | **(17)** | **(18)** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Australia - Ordinary Business | L1. Conventional Participating |  |  |  |  |  |  |  |  |  |  |
| Australia - Superannuation Business | L2. Participating Investment Account |  |  |  |  |  |  |  |  |  |  |
| Overseas - All Business | L9. Non-par Investment Policy with Discretionary Additions |  |  |  |  |  |  |  |  |  |  |

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| 1. **Totals by class of business**
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|  | **Cash** | **Investment property** | **Equities** | **Non-indexed IBS** | **Indexed IBS** | **Loans** | **Other investment assets** | **Receivables** | **Gross policy liabilities ceded under reinsurance** | **Deferred tax assets** |
|  | **(1)** | **(2)** | **(3)** | **(4)** | **(5)** | **(6)** | **(7)** | **(8)** | **(9)** | **(10)** |
| * + 1. **Australian business**
 |  |  |  |  |  |  |  |  |  |  |
| * + - 1. Ordinary business
 |  |  |  |  |  |  |  |  |  |  |
| * + - 1. Superannuation business
 |  |  |  |  |  |  |  |  |  |  |
| * + - 1. **Total Australian business**
 |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| * + 1. **Overseas - All business**
 |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| * + 1. **Total statutory fund business**
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Other non-investment assets** | **Total assets attributable to product groups** | **Effective borrowings on a look-through basis** | **Tax liabilities** | **Other liabilities, apart from borrowings and tax liabilities** | **Total liabilities attributable to product groups** | **Net total of assets backing policy liabilities** |  |  |  |
|  | **(11)** | **(12)** | **(13)** | **(14)** | **(15)** | **(16)** | **(17)** |  |  |  |
| * + 1. **Australian business**
 |  |  |  |  |  |  |  |  |  |  |
| * + - 1. Ordinary business
 |  |  |  |  |  |  |  |  |  |  |
| * + - 1. Superannuation business
 |  |  |  |  |  |  |  |  |  |  |
| * + - 1. **Total Australian business**
 |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| * + 1. **Overseas - All business**
 |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| * + 1. **Total statutory fund business**
 |  |  |  |  |  |  |  |  |  |  |

**LRF\_420\_0 Assets Backing Policy Liabilities**

These instructions must be read in conjunction with the general instruction guide.

**Explanatory notes**

**Classes of business**

This section is to be completed for each class of business, as specified in the drop-down box list.

* Australia – Superannuation business
* Australia – Ordinary business
* Overseas – All business

The expressions ‘ordinary business’ and ‘superannuation business’ are defined in the *Life Insurance Act 1995* (the Act).

**APRA product group**

The APRA product groups that apply for the purpose of this form are:

* L1. Conventional Participating;
* L2. Participating Investment Account;
* L3. Annuity with Longevity Risk;
* L4. Individual Lump Sum Risk;
* L5. Individual Disability Income Insurance;
* L6, Group Lump Sum Risk;
* L7. Group Disability Income Insurance;
* L8. Investment Linked;
* L9. Non-participating Investment Policy with Discretionary Additions;
* L10. Other Non-participating Investment Policy;
* L11. Annuity without Longevity Risk; and
* L12. Other.

For each APRA product group, two iterations of reporting are required to capture the breakdown of sources of profit between policy owners and shareholders. This is controlled by the drop-down box titled profit allocation.

**Reporting basis**

The values of assets reported in each asset class in this form are to be consistent with the effective positions shown in *LRF 300.1 Statement of Financial Position (SF & SF Eliminations)* (LRF 300.1), i.e. after the look-through and hedging adjustments to individual asset categories.

**Instructions for specific items**

1. **All statutory fund products**
	* 1. **Cash**

This item is as per item 1 in instructions to LRF 300.1 and  *LRF 300.2 Statement of Financial Position (SF Total, GF, GF Elim, Entity)* (LRF 300.2) (as adjusted for look-through and hedging).

* + 1. **Investment property**

This item is as per Item 2 in instructions to LRF 300.1 and LRF 300.2 (as adjusted for look-through and hedging). Note that the look through adjustment results in the inclusion of owner-occupied property.

* + 1. **Equities**

This item is as per item 3 in instructions to LRF 300.1 and LRF 300.2 (as adjusted for look-through and hedging).

* + 1. **Non-indexed IBS**

This item is as per item 4 in instructions to LRF 300.1 and LRF 300.2 (as adjusted for look-through and hedging).

* + 1. **Indexed IBS**

This item is as per item 5 in instructions to LRF 300.1 and LRF 300.2 (as adjusted for look-through and hedging).

* + 1. **Loans**

This item is as per item 7 in instructions to LRF 300.1 and LRF 300.2 (as adjusted for look-through and hedging).

* + 1. **Other investment assets**

This item is as per item 9 in instructions to LRF 300.1 and LRF 300.2 (as adjusted for look-through and hedging).

* + 1. **Receivables**

This item is as per item 10 in instructions to LRF 300.1 and LRF 300.2.

* + 1. **Gross policy liabilities ceded under reinsurance**

This item is as per item 11.2 in instructions to LRF 300.1 and LRF 300.2.

* + 1. **Deferred tax assets**

This item is as per item 11.3 in instructions to LRF 300.1 and LRF 300.2.

* + 1. **Other non-investment assets**

This is a balancing item and is calculated automatically as column (12) less the sum of columns (1) to (10).

* + 1. **Total assets attributable to product groups**

This item is as per item 12 in instructions to LRF 300.1 and LRF 300.2.

* + 1. **Effective borrowings on a look-through basis**

This item is as per item 13.8 in instructions to LRF 300.1 and LRF 300.2 (as adjusted for look-through and hedging).

* + 1. **Tax liabilities**

This item is as per items 15.1 and 15.2 in instructions to LRF 300.1 and LRF 300.2.

* + 1. **Other liabilities, apart from borrowings and tax liabilities**

This item represents any other liabilities, excluding borrowings and tax liabilities. It is calculated automatically as column (16) less the sum of columns (13) and (14).

* + 1. **Total liabilities attributable to product groups**

This item is as per item 22 in instructions to LRF 300.1 and LRF 300.2.

* + 1. **Net total of assets backing policy liabilities**

This is derived by netting column (12) and column (16). The result must equal total gross policy liabilities for each product group (since the value of outwards reinsurance is included as one of the assets that back policy liabilities).

Borrowings are included as one of the categories above, to cater for the situation where investment assets exceed total policy liabilities and the asset classes are effectively ‘geared’. Tax assets are also catered for where appropriate.

* + 1. **Proportion (%) exposed to foreign currencies**

This represents the proportion (as a percentage) of the total assets in column (12) that are exposed to unhedged currency risks associated with currencies other than AUD.

1. **Assets allocated to support sub-groups of participating/non-participating benefits**

This part reports, where applicable within the fund, the assets allocated to support sub-groups of participating/non-participating policy benefits where the policy benefit is determined in reference to the performance of the assets supporting the sub-group of benefits.

Refer to the previous part for detailed definitions (i.e. table 1 column (1) to column (18)).

For each APRA product group, only report the main sub-group within the product category and provide brief description in column (1).

1. **Totals by Class of Business**

No values are required to be entered in this section. Items in this section are derived fields that sum up the assets backing policy liabilities by class of business and asset class.