



Financial Sector (Collection of Data) (reporting standard) determination No. 33 of 2023

Reporting Standard LRS 310.0 Income Statement

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*:

- (a) REVOKE Financial Sector (Collection of Data) (reporting standard) determination No. 54 of 2013, including *Reporting Standard LRS 310.0 Income Statement* made under that Determination; and
- (b) DETERMINE *Reporting Standard LRS 310.0 Income Statement*, 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 310.0 Income Statement comprises the document commencing on the following page.



Reporting Standard LRS 310.0

Income Statement

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA in relation to a life company's financial performance.

It includes *Form LRF 310.1 Income Statement (SF & SF Eliminations)* and *Form LRF 310.2 Income Statement (SF Total, GF, GF Elim, Entity)*, and associated 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

2. Information collected in *Form LRF 310.1 Income Statement (SF & SF Eliminations)* and *Form LRF 310.2 Income Statement (SF Total, GF, GF Elim, Entity)* (the LRF 310 series) is used by APRA for the purpose of prudential supervision including assessing compliance with capital standards.

Application and commencement

3. 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

4. A life company must provide APRA with the information required by the LRF 310 series for each reporting period.

5. 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

6. The information required by this Reporting Standard must be given to APRA:
 - (a) in electronic format using an electronic method available on APRA's website; or
 - (b) by a method notified by APRA prior to submission.

Reporting periods and due dates

7. Subject to paragraph 8, a life company must provide the information required by this Reporting Standard:
 - (a) in respect of each quarter based on the financial year of the life company on an unaudited basis; and
 - (b) in respect of each financial year of the life company on an audited basis.

Note 1: This means that this form will be submitted five times for a full financial year.

Note 2: 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).

8. 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 subparagraph 7(a) or 7(b), APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular life company.
9. The information required by this Reporting Standard in respect of a life company must be provided to APRA:
 - (a) within the time stated in *Reporting Standard LRS 001 Reporting Requirements* (LRS 001); or
 - (b) in the case of information provided in accordance with paragraph 8, within the time specified by notice in writing.

Quality control

10. 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:
 - (a) an annual basis or more frequently if necessary to enable the Auditor to form an opinion on the reliability and accuracy of data; and

- (b) 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.
11. 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.
 12. 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

13. 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.
14. An officer of a life company submitting information under this Reporting Standard must be authorised by either:
 - (a) the Principal Executive Officer of the life company; or
 - (b) the Chief Financial Officer of the life company.

Variations

15. APRA may, by written notice to the life company, vary the reporting requirements of the LRF 310 series in relation to that life company.

Transition

16. 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 in the determination making this Reporting Standard; and

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

- (a) which ended before the date of revocation of the old reporting standard; and
- (b) 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

17. 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 LPS 001 Definitions* (LPS 001); and
- (b) **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 means a reporting period under subparagraph 7(a) or 7(b) or, if applicable, paragraph 8.

LRF_310_1: Income Statement (SF and SF Eliminations)

Australian Business Number	Institution Name
	Life companies including friendly societies
Reporting Period	Scale Factor
Quarterly / Annual	Thousands
Reporting Consolidation	
Statutory fund	

Australian business	Overseas business	Total business
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Revenue

1. Insurance policy revenue

- 1.1. Life insurance direct premiums
- 1.2. Policy conversions - inwards
- 1.3. Inwards life reinsurance premium revenue
- 1.4. Total premiums from non-life insurance business
- 1.5. Outward reinsurance premiums expense
- 1.6. Total insurance policy revenue, net of reinsurance**

2. Fees for management services rendered

- 2.1. Premium-related fees revenue
- 2.2. Non-premium related fees
- 2.3. Fees reported as movement in policy liability (Net movement in liability for defd fee rev)
- 2.4. Total fees for management services rendered**

3. Investment revenue

3.1. Investment income (excluding capital gains or losses) from

3.1.1. Cash holdings

3.1.2. Investment property

3.1.3. Equity securities

3.1.4. Debt securities

3.1.5. Other investment assets

3.1.6. Total investment income (excluding capital gains or losses)

3.2. Realised and unrealised capital gains (or losses) from

3.2.1. Investment property

3.2.2. Equity securities

3.2.3. Debt securities

3.2.4. Other investment assets

3.2.5. Total realised and unrealised capital gains (or losses)

3.3. Total investment revenue

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4. Other revenue

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5. Total revenue

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Expenses

6. Insurance policy expense

6.1. Death and disability claims

6.2. Maturities

6.3. Annuities

- 6.4. Surrenders and terminations
- 6.5. Policy conversions - outwards
- 6.6. Other claims
- 6.7. Inwards reinsurance claims expense (including current year bonus)
- 6.8. Total non-life policy expense
- 6.9. Outward reinsurance claims revenue
- 6.10. Total insurance policy expense, net of reinsurance**

7. Operating expenses

- 7.1. Policy acquisition - commission and other incremental expenses
- 7.2. Policy acquisition - other expenses
- 7.3. Total policy acquisition expenses
- 7.4. Policy maintenance - commission and other incremental expenses
- 7.5. Policy maintenance - other expenses
- 7.6. Total policy maintenance expenses
- 7.7. Investment management expenses
- 7.8. Acquisition expenses reported as movement in policy liability (Net movement in DAC)
- 7.9. Other administration expenses
- 7.10. Interest expense on subordinated debt
- 7.11. Interest expense on other borrowings
- 7.12. Total non-life operating expenses
- 7.13. Total operating expenses**

8. Movement in net policy liabilities

- 8.1. Increase/(decrease) in net policy liabilities
 - 8.1.1. *Of which: Surplus distributed to benefit fund members (friendly society only)*
 - 8.1.2. *Of which: Increase/(decrease) in unallocated surplus (friendly society only)*

9. Adjustment to movement in net policy liabilities - policy revenue
Policy revenue recognised as a deposit or as a change in policy liability

- 9.1. Contractual direct premiums
- 9.2. Policy conversions - inwards
- 9.3. Inwards reinsurance premium revenue
- 9.4. Total non-life insurance premiums
- 9.5. Outward reinsurance premiums expense
- 9.6. Total policy revenue, net of reinsurance**

10. Adjustment to movement in net policy liabilities - policy expense
Policy expense recognised as withdrawal of deposit or change in policy liability

- 10.1. Death and disability claims
- 10.2. Maturities
- 10.3. Annuities
- 10.4. Surrenders and terminations
- 10.5. Policy conversions - outwards
- 10.6. Other Claims
- 10.7. Total Claims
- 10.8. Inwards reinsurance claims expense (including current year bonus)
- 10.9. Total non-life policy expense
- 10.10. Outward reinsurance claims revenue
- 10.11. Policy acquisition - commission and other incremental expenses
- 10.12. Policy acquisition - other expenses
- 10.13. Total policy acquisition expenses
- 10.14. Total policy expense, net of reinsurance**

11. Effective movement in net policy liabilities

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12. Change in policy owner retained profits

12.1. Increase/(decrease) in policy owner retained profits

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13. Other expenses

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14. Total expenses

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15. Profit/(loss) before income tax

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16. Tax

16.1. Income tax attributable to profit/(loss) - shareholders

16.2. Income tax attributable to profit/(loss) - policy owners

16.3. Total tax

17. Profit/(loss) after income tax

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18. Increase/(decrease) in unallocated benefit fund reserves

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19. Profit/(loss) after income tax attributable to shareholders

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**Annual return reconciliations
(Only complete for annual returns)**

20. Reconciliation adjustments

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21. Operating profit/(loss) after tax, per general purpose accounts - statement of profit or loss

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LRF_310_2: Income Statement (SF Total, GF, GF Elim, Entity)

Australian Business Number	Institution Name
	Life companies including friendly societies
Reporting Period	Scale Factor
Quarterly / Annual	Thousands
Reporting Consolidation	
Licensed insurer	

Revenue

	Total statutory funds			General fund	General fund elimination	Total entity
	Australian business	Overseas business	Total business			
1. Insurance policy revenue						
1.1. Life insurance direct premiums						
1.2. Policy conversions - inwards						
1.3. Inwards life reinsurance premium revenue						
1.4. Total premiums from non-life insurance business						
1.5. Outward reinsurance premiums expense						
1.6. Total insurance policy revenue, net of reinsurance						
2. Fees for management services rendered						
2.1. Premium-related fees revenue						
2.2. Non-premium related fees						
2.3. Fees reported as movement in policy liability (Net movement in liability for deferred fee revenue)						
2.4. Total fees for management services						

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3. Investment revenue

3.1. Investment income (excluding capital gains or losses) from

3.1.1. Cash holdings

3.1.2. Investment property

3.1.3. Equity securities

3.1.4. Debt securities

3.1.5. Other investment assets

3.1.6. Total investment income (excluding capital gains or losses)

3.2. Realised and unrealised capital gains (or losses) from

3.2.1. Investment property

3.2.2. Equity securities

3.2.3. Debt securities

3.2.4. Other investment assets

3.2.5. Total realised and unrealised capital gains (or losses)

3.3. Total investment revenue

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4. Other revenue

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5. Total revenue

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Expenses

6. Insurance policy expense

- 6.1. Death and disability claims
- 6.2. Maturities
- 6.3. Annuities
- 6.4. Surrenders and terminations
- 6.5. Policy conversions - outwards
- 6.6. Other claims
- 6.7. Inwards reinsurance claims expense (including current year bonus)
- 6.8. Total non-life policy expense
- 6.9. Outward reinsurance claims revenue
- 6.10. Total insurance policy expense, net of reinsurance**

7. Operating expenses

- 7.1. Policy acquisition - commission and other incremental expenses
- 7.2. Policy acquisition - other expenses
- 7.3. Policy acquisition - total expenses
- 7.4. Policy maintenance - commission and other incremental expenses
- 7.5. Policy maintenance - other expenses
- 7.6. Policy maintenance - total expenses
- 7.7. Investment management expenses
- 7.8. Acquisition expenses reported as movement in policy liability (Net movement in DAC)
- 7.9. Other administration expenses
- 7.10. Interest expense on subordinated debt

7.11. Interest expense on other borrowings

7.12. Total non-life operating expenses

7.13. Total operating expenses

8. Movement in net policy liabilities

8.1. Increase/(decrease) in net policy liabilities

8.1.1. *Of which: Surplus distributed to benefit fund members*

8.1.2. *Of which: Increase/decrease in unallocated surplus*

9. Adjustment to movement in net policy liabilities - policy revenue
Policy revenue recognised as a deposit or as a change in policy liability

9.1. Contractual direct premiums

9.2. Policy conversions - inwards

9.3. Inwards reinsurance premium revenue

9.4. Total non-life insurance premiums

9.5. Outward reinsurance premiums expense

9.6. Total policy revenue, net of reinsurance

10. Adjustment to movement in net policy liabilities - policy expense
Policy expense recognised as withdrawal of deposit or change in policy liability

10.1. Death and disability claims

10.2. Maturities

10.3. Annuities

10.4. Surrenders and terminations

10.5. Policy conversions - outwards

10.6. Other claims						
10.7. Total claims						
10.8. Inwards reinsurance claims expense (including current year bonus)						
10.9. Total non-life policy expense						
10.10. Outward reinsurance claims revenue						
10.11. Policy acquisition - commission and other incremental expenses						
10.12. Policy acquisition - other expenses						
10.13. Policy acquisition - total expenses						
10.14. Total policy expense, net of reinsurance						
11. Effective movement in net policy liabilities						
12. Change in policy owner retained profits						
12.1. Increase/(decrease) in policy owner retained profits						
13. Other expenses						
14. Total expenses						
15. Profit/(loss) before income tax						
16. Tax						
16.1. Income tax attributable to profit/(loss) - shareholders						
16.2. Income tax attributable to profit/(loss) - policy owners						
16.3. Total tax						

17. Profit/(loss) after income tax

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18. Increase/(decrease) in unallocated benefit fund reserves

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19. Profit/(loss) after income tax attributable to shareholders

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**Annual return reconciliations
(Only complete for annual returns)**

20. Reconciliation adjustments

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21. Operating profit/(loss) after tax, per general purpose accounts - profit & loss account

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LRF_310_1 and LRF_310_2 Income Statement

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

Explanatory notes

Application of reporting items

While these instructions apply to all life companies, including friendly societies, not all items may be applicable to both. Some items may not be applicable to friendly societies while others may not be applicable to life insurers.

Classes of business

This form is to be completed in respect of each class of business. This includes:

- Australian business;
- Overseas business; and
- Total business.

This refers to the territory where the life insurance business is carried on, as defined in the *Life Insurance Act 1995* (the Act). All “Total business” values are derived items.

Instructions for specific items

Revenue

1. Insurance policy revenue

With the exception of item 1.4, only premiums received from life insurance policies are accounted for as insurance policy revenue. Premiums for life investment business are recognised as deposits, and adjusted for as changes in policy liabilities.

The revenue components of amounts contractually received or receivable for insurance policies should be shown gross of reinsurance, with outwards reinsurance components to be shown separately.

Direct insurance premiums, policy conversions (inwards) and inwards life reinsurance premiums should be shown separately.

1.1. Life insurance direct premiums

Report regular and single premiums received or receivable for life insurance business written directly. Show amounts gross of outwards reinsurance, but exclude amounts for inwards reinsurance (see item 1.3 below).

Include only revenue components of life insurance contracts, and exclude any deposit components. Include premiums in respect of deferred and immediate annuities that are life insurance business.

1.2. Policy conversions – inwards

Report the premium elements of conversions between statutory funds. The inward (premium) side of the conversion is shown here, while the outward (claim) side is shown at item 6.5 (policy conversions – outwards); any deposit components are to be taken into account in items 9.2 and/or 10.5.

Premium and claim elements of policy conversions are not expected to apply for life investment contracts, due to section 5 of *Australian Accounting Standard AASB 1038 Life Insurance Contracts* (AASB 1038). In those cases, only deposit components are expected to apply.

1.3. Inwards life reinsurance premium revenue

Report premiums for life insurance business written as inwards reinsurance. Show amounts gross of outwards (retrocession) reinsurance.

Include only revenue components, and exclude any deposit components. Include premiums in respect of deferred and immediate annuities that are life insurance business written as inwards reinsurance.

1.4. Total premiums from non-life insurance business

This is generally only expected to apply if the life company is permitted to write general insurance business under section 234 of the Act.

1.5. Outward reinsurance premiums expense

Outwards reinsurance premiums expense is to be entered as expense amounts (i.e. as negative amounts).

Include only revenue components, and exclude any deposit components. Include premiums in respect of deferred and immediate annuities that are life insurance business.

1.6. Total insurance policy revenue, net of reinsurance

This item represents total insurance premium revenue net of outwards reinsurance, and is the sum of the reporting items 1.1 to 1.5.

2. Fees for management services rendered

Fees for management services rendered include premium-related fees received for life investment contracts, non-premium related fees (e.g. those related to funds under management), and net movement in liability for deferred fee revenue.

It should be entered gross of any reinsurance.

2.1. Premium-related fees revenue

This includes fees received or receivables that are directly related to premiums received or receivable.

2.2. Non-premium related fees

This includes fees received or receivables that are unrelated to premiums received or receivable, such as policy fees and those related to funds under management.

2.3. Fees reported as movement in policy liability (Net movement in liability for deferred fee revenue)

Include amortisation of liability for deferred fee revenue in respect of life investment contracts, less additional deferral of fees during the reporting period.

Adjustments for items 2.2 and 2.3 are automatically calculated by the form when determining Item 11 'Effective movement in net policy liabilities'.

2.4. Total fees for management services rendered

This item represents total fee revenue for life investment contracts, and is the sum of items 2.1 to 2.3.

3. Investment revenue

Include interest, dividends, net rents, net realised gains and net unrealised gains. Amounts should be gross of investment management expenses.

3.1. Investment income (excluding capital gains or losses) from

3.1.1. Cash holdings

The amount of interest income derived from investment in cash and liquid assets recognised as income under the Australian Accounting Standards.

3.1.2. Investment property

The net rent (rental income plus other rental related income) recognised as income under the Australian Accounting Standards.

3.1.3. Equity securities

This item includes unit trust distributions.

3.1.4. Debt securities

Debt securities comprise interest bearing securities (IBS) (both indexed IBS and non-indexed IBS) and loans.

3.1.5. Other investment assets

All other securities that are not cash, property, equity, or debt securities as categorised above. This is calculated automatically as item 3.1.6 less the sum of items 3.1.1 to 3.1.4.

3.1.6. Total investment income (excluding capital gains or losses)

This is the value of investment income after doubtful debts expense.

3.2. Realised and unrealised capital gains (or losses) from

3.2.1. Investment property

This is the value of capital gains or losses from investment properties.

3.2.2. Equity securities

This is the value of capital gains or losses from equity securities.

3.2.3. Debt securities

This is the value of capital gains or losses from debt securities.

3.2.4. Other investment assets

This is the value of capital gains or losses from other investment assets that are not property, equity, or debt securities. This is calculated automatically as item 3.2.5 less the sum of items 3.2.1 to 3.2.3.

3.2.5. Total realised and unrealised capital gains (or losses)

This is the value of capital gains or losses.

3.3. Total investment revenue

This item represents total investment revenue, and is the sum of the reporting items 3.1.6 and 3.2.5.

4. Other revenue

This includes all other revenue items not specifically categorised above. It is calculated automatically as item 5 less the sum of items 1.6, 2.4 and 3.3.

5. Total revenue

This is the total revenue of the fund.

Expenses

6. Insurance policy expense

6.1. Death and disability claims

Report benefits paid or payable for death and/or disability claims on life insurance business, including current period bonus and any interim or terminal bonuses included in claims amounts.

6.2. Maturities

Report benefits paid or payable for claims due to maturity of policy. Policy maturity is where the agreed end date of the contract has been reached.

6.3. Annuities

This is the value, during the relevant period, for the total value of benefits paid to members in the form of a pension. Includes complying pension, allocated pension and annuity payments. Do not include amounts resulting from the commutation of pension benefits.

6.4. Surrenders and terminations

Report benefits paid or payable in relation to the surrender or early termination of a policy, i.e. where the policy is ended by either party prior to the maturity date. Where no amount would be paid, the value to be reported is the discounted present value of the unexpired risks, future payments and/or contractual premium refunds.

6.5. Policy conversions – outwards

Report the claim elements of conversions between statutory funds. The outward (claim) side of the conversion is shown here, while the inward (premium) side is shown at item 1.2 (policy conversions – inwards); any deposit components are to be taken into account in items 9.2 and/or 10.5.

Premium and claim elements of policy conversions are not expected to apply for life investment contracts, due to section 5 of AASB 1038. In those cases, only deposit components are expected to apply.

6.6. Other claims

This includes all other claims expense items not specifically categorised above. It is automatically calculated as item 6.10 less the sum of items 6.1 to 6.5 and 6.7 to 6.9.

6.7. Inwards reinsurance claims expense (including current year bonus)

Inwards reinsurance claims expense should be gross of retrocession recoveries.

Include bonuses paid as a distribution of current year profit.

6.8. Total non-life policy expense

This is generally only expected to apply if permitted to write general insurance business under section 234 of the Act.

6.9. Outward reinsurance claims revenue

Outward reinsurance claims revenue should be entered as revenue amounts, i.e. enter as negative amounts.

6.10. Total insurance policy expense, net of reinsurance

This item represents total insurance policy expenses net of outwards reinsurance.

7. Operating expenses

Abnormal operating expenses are not to be excluded or shown separately, but included in the relevant category. In total, all expenses are to be included.

Policy acquisition items are prior to any component deferred to either policy liabilities or a deferred acquisition cost asset.

7.1. Policy acquisition - commission and other incremental expenses

This includes all incremental costs of acquiring new insurance business.

7.2. Policy acquisition - other expenses

This is calculated automatically as item 7.3 less item 7.1.

7.3. Total policy acquisition expenses

This is all the fixed and variable costs incurred when acquiring new business.

7.4. Policy maintenance - commission and other incremental expenses

Variable costs of:

- administering policies subsequent to their sale; and
- administering the general operations of the life company.

Include all normal operating costs and expenses other than acquisition and investment management expenses.

7.5. Policy maintenance – other expenses

This is calculated automatically as item 7.6 less item 7.4.

7.6. Total policy maintenance expenses

This is all the fixed and variable costs incurred in relation to activities described in instructions to item 7.4.

7.7. Investment management expenses

These are the fixed and variable costs of managing the investment portfolio.

7.8. Acquisition expenses reported as movement in policy liability (Net movement in DAC)

Include amortisation and impairment of existing deferred acquisition costs (DAC) less additional deferrals of acquisition expenses during the reporting period.

Note that amounts are as per AASB 1038, and not offset by any initial fee revenue.

An adjustment for this amount is automatically calculated by the form when determining Item 11 'Effective movement in net policy liabilities'.

7.9. Other administration expenses

This includes all other general administration expenses not specifically categorised above. It is automatically calculated by the form.

7.10. Interest expense on subordinated debt

Report the value of interest expense as determined in accordance with accounting standards that relates to subordinated debt.

Subordinated debt is a debt where the claim to repayment ranks lower in priority to other claims.

7.11. Interest expense on other borrowings

Report the value of interest expense as determined in accordance with accounting standards that does not relate to subordinated debt.

7.12. Total non-life operating expenses

This is generally only expected to apply if permitted to write general insurance business under section 234 of the Act.

7.13. Total operating expenses

This item represents total operating expenses.

8. Movement in net policy liabilities

8.1. Increase/(decrease) in net policy liabilities

This item is to be reported as the numerical result: net policy liabilities at end of reporting period, less net policy liabilities at beginning of reporting period; thus if net policy liabilities increased the result is an expense, while if they decreased the result is a negative expense. It is to be reported inclusive of inwards reinsurance and net of outwards reinsurance at beginning and end of reporting period. Note that for friendly societies this item also includes movements in unallocated surplus classified as liability and current year surplus distributions to benefit fund members.

A number of adjustments to movement in net policy liabilities are required in order to obtain the relevant measure of profit or loss for the reporting period. The adjustments involve deposits/withdrawals, non-premium related fees for management services, and movements in the liabilities for deferred fee revenue and deferred acquisition cost. The end result of these adjustments is Effective movement in net policy liabilities (Item 11).

Items 9 and 10 are two of these adjustments and represent the deposit/withdrawal components of both life insurance and life investment contracts (which are recorded directly to policy liabilities).

8.1.1. Of which: Surplus distributed to benefit fund members (friendly society only)

This item is the value of the surplus distributed to benefit fund members in the current reporting period.

This item is applicable for friendly societies only.

8.1.2. Of which: Increase/(decrease) in unallocated surplus (friendly society only)

This item is the increase in the unallocated surplus classified as liabilities in the current reporting period after distributions have been made to benefit fund members. Unallocated surplus classified as liabilities relates to all other unallocated surpluses that have not been included in item 25.1 of LRF 300.1.

This item is applicable for friendly societies only.

**9. Adjustment to movement in net policy liabilities - policy revenue
Policy revenue recognised as a deposit or as a change in policy liability**

9.1. Contractual direct premiums

Report the deposit components of regular and single premiums received or receivable for life investment and life insurance investment account business written directly – i.e. exclude any revenue components. Show amounts gross of outwards reinsurance, but exclude amounts for inwards reinsurance (see item 9.3, below). Include the deposit component of premiums in respect of deferred or immediate annuities that are life investment business.

9.2. Policy conversions – inwards

Report the deposit elements of conversions between statutory funds. The inward side of the conversion is shown here, while the outward side is shown at item 10.5 (policy conversions – outwards); any revenue or expense components are to be taken into account in items 1.2 and/or 6.5.

As revenue and expense elements of policy conversions are not expected to apply for life investment contracts due to section 5 of AASB 1038, the full conversion is expected to be treated as a deposit.

9.3. Inwards reinsurance premium revenue

Report deposit elements for life investment and life insurance investment account business written as inwards reinsurance – i.e. exclude any revenue components. Show amounts gross of outwards (retrocession) reinsurance. Include the deposit component of premiums in respect of deferred or immediate annuities that are life investment business written as inwards reinsurance.

9.4. Total non-life insurance premiums

Report any deposit elements corresponding to Item 1.4.

9.5. Outward reinsurance premiums expense

Report any deposit elements corresponding to Item 1.5.

9.6. Total policy revenue, net of reinsurance

This is calculated automatically as the sum of items 9.1 to 9.5.

10. Adjustment to movement in net policy liabilities - policy expense Policy expense recognised as withdrawal of deposit or change in policy liability

10.1. Death and disability claims

Report benefits paid or payable as withdrawal of any deposit elements for death and/or disability claims on life investment business.

10.2. Maturities

Report benefits paid or payable as withdrawal of any deposit elements for maturity claims on life investment business.

10.3. Annuities

Report benefits paid or payable as withdrawal of any deposit elements for annuity benefits on life investment business.

10.4. Surrenders and terminations

Report benefits paid or payable as withdrawal of any deposit elements for surrender and/or termination benefits on life investment business.

10.5. Policy conversions – outwards

Report the withdrawal of deposit elements on conversions between statutory funds. The outward side of the conversion is shown here, while the inward side is shown at item 9.2 (policy conversions – inwards); any revenue or expense components are to be taken into account in items 1.2 and/or 6.5.

As revenue and expense elements of policy conversions are not expected to apply for life investment contracts due to section 5 of AASB 1038, the full conversion is expected to be treated as a withdrawal.

10.6. Other claims

Report benefits paid or payable as withdrawal of any deposit elements for other claims on life investment business. This is automatically calculated as item 10.7 less the sum of items 10.1 to 10.6.

10.7. Total claims

This is the total of benefits paid or payable as withdrawal of deposit elements for claims on life investment business.

10.8. Inwards reinsurance claims expense (including current year bonus)

Report benefits paid or payable as withdrawal of any deposit elements for inwards reinsurance claims, gross of any retrocession recoveries. (While field names for Items 10.1 to 10.9 correspond exactly to those for items 6.1 to 6.9, it is not expected that reference to “current year bonus” would be applicable.)

10.9. Total non-life policy expense

Report any withdrawal of deposit elements corresponding to item 6.8.

10.10. Outward reinsurance claims revenue

Outward reinsurance claims revenue as withdrawal of any deposit elements should be entered as negative amounts.

10.11. Policy acquisition – commission and other incremental expenses

This includes all incremental costs of acquiring new investment business.

10.12. Policy acquisition – other expenses

This is calculated automatically as item 10.13 less item 10.11.

10.13. Total policy acquisition expenses

This is the value of all fixed costs and variable costs incurred in relation to the acquisition of new insurance business.

10.14. Total policy expense, net of reinsurance

This is the sum of items 10.7, 10.8, 10.9, 10.10 and 10.13.

11. Effective movement in net policy liabilities

The effective movement in net policy liabilities is calculated as:

- increase/(decrease) in net policy liabilities (per item 8.1);
- less deposits received (per item 9.6);
- plus withdrawals of deposits (per item 10.14);
- plus non-premium related fees for management services (which would otherwise be recognised as a reduction in policy liabilities, per item 2.2);
- plus movements in the liability for deferred fee revenue (which are reported as part of fees for management services rendered but would otherwise result in a change in policy liabilities for life investment contracts, per item 2.3); and

- less movements in the liability for deferred acquisition costs (which are reported as part of operating expenses but would otherwise result in a change in policy liabilities for life investment contracts, per item 7.8).

12. Change in policy owner retained profits

12.1. Increase/(decrease) in policy owner retained profits

Policy owner retained profits represent the value of statutory fund profits allocated to participating policy owners generally, but not yet vested as specific amounts to particular policies. This item is included under expenses in these forms for the purpose of ultimately deriving the profit that is attributable to shareholders.

13. Other expenses

Include all other expense items not specifically categorised above. It is calculated automatically as item 14 less the sum of items 6.10, 7.13, 11 and 12.1.

14. Total expenses

This is the total expenses of the fund.

15. Profit/(loss) before income tax

This is item 5 total revenue less item 14 total expenses.

16. Tax

As a life insurance company is liable for tax partly on behalf of its policy owners and partly on behalf of its shareholders, this item has two components.

16.1. Income tax attributable to profit/(loss) – shareholders

This component relates to that part of the total tax liability arising in the reporting period that is incurred on behalf of shareholders.

16.2. Income tax attributable to profit/(loss) - policy owners

This component relates to that part of the total tax liability arising in the reporting period that is incurred on behalf of policy owners.

16.3. Total tax

This item represents total tax liability arising in the reporting period, and is the sum of items 16.1 and 16.2.

17. Profit/(loss) after income tax

This is item 15 less item 16.3.

This item represents the profit (or loss) result, after tax. Where there is no further data applicable to enter on these forms (i.e. Item 18 does not apply), the result will represent the 'profit (or loss) after tax' that is attributable to shareholders.

18. Increase/(decrease) in unallocated benefit fund reserves

Unallocated benefit fund reserves represent the value of benefit funds which has not been allocated to either the benefit fund members or to the management fund. This item is only expected to be applicable to friendly societies. This item is included in this section for the purpose of deriving the profit that is attributable to shareholders.

For life companies other than friendly societies, enter zero under this item.

19. Profit/(loss) after income tax attributable to shareholders

A derived item that equals profit/(loss) after income tax (item 17) less increase/(decrease) in unallocated benefit fund reserves (item 18).

**Annual return reconciliations
(Only complete for annual returns)**

Reconciliation to operating profit/(loss) after tax at the end of the period in the general purpose financial statements is only required to be completed as part of the annual returns.

20. Reconciliation adjustments

This is the adjustment necessary to reconcile the profit/(loss) after income tax attributable to shareholders (item 19) to the operating profit/(loss) after tax, per general purpose accounts – profit & loss account (item 21). APRA does not propose to routinely collect the components of the reconciliation. Additional information may, however, be sought from the life companies where this figure is significant.

21. Operating profit/(loss) after tax, per general purpose accounts - profit & loss account

This is the corresponding figure to the ‘profit/(loss) after income tax attributable to shareholders’ (item 19), except that it is taken from the general purpose accounts of the entity.