

**Financial Sector (Collection of Data) (reporting standard) determination No. 111 of 2023**

**Reporting Standard LRS 001 Reporting Requirements**

*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. 22 of 2023, including *Reporting Standard LRS 001 Reporting Requirements* made under that Determination; and
2. determine *Reporting Standard LRS 001 Reporting Requirements,* in the form set out in the Schedule, which applies to the financial sector entities to the extent provided in paragraph 3 of that reporting standard.

Under section 15 of the Act, I declare that *Reporting Standard LRS 001 Reporting Requirements* shall begin to apply to those financial sector entities, and the revoked reporting standard shall cease to apply, on the day *Reporting Standard LRS 001 Reporting Requirements* is registered on the Federal Register of Legislation.

This instrument commences upon registration on the Federal Register of Legislation.

Dated: 18 May 2023

Michael Murphy

General Manager - Chief Data Officer (Acting)

Technology and Data Division

**Interpretation**

In this Determination:

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

***Federal Register of Legislation*** means the register established under section 15A of the *Legislation Act 2003.*

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

**Schedule**

*Reporting Standard LRS 001 Reporting Requirements* comprises the document commencing on the following page.

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## Reporting Standard LRS 001

# Reporting Requirements

### **Objective of this Reporting Standard**

This Reporting Standard sets out the general instruction guide for providing information under life insurance reporting standards.

**Authority**

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

**Purpose**

1. Reporting standards made under section 13 of the *Financial Sector (Collection of Data) Act 2001* require financial sector entities to provide information to APRA. This Reporting Standard provides instructions applicable to all reporting standards to be completed by certain entities and specifies the periods within which those entities are to comply with those requirements.

**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 Act). This Reporting Standard applies for reporting periods ending on or after 1 July 2023.

**General Instructions**

1. Detailed instructions for the individual reporting items are included in the specific instructions for each reporting standard. These specific instructions need to be considered in conjunction with the General Instruction Guide (which are Attachment A to this Reporting Standard), the relevant reporting standards and the prudential standards.

**Periods for Provision of Returns**

1. A life company is to provide information required under reporting standards:
2. in the case of quarterly information - 20 business days after the end of the reporting period to which the information relates;
3. in the case of half yearly information - 20 business days after the end of the reporting period to which the information relates; and
4. in the case of annual information - three months after the end of the reporting period to which the information relates.
5. APRA may, in writing, grant a life company an extension of a due date in paragraph 5, for all or specified reporting standards, in which case the new due date will be the date on the notice of extension.

**Transition**

1. The old LRS 001 continues to apply to any reporting obligations for transitional reporting periods. For these purposes:

***old LRS 001*** means the reporting standard revoked in the determination making this Reporting Standard;

***old reporting standard*** means a reporting standard which has been revoked; and

***transitional reporting period*** means a reporting period:

1. which ended before 1 July 2023; and
2. in relation to which an insurer was required, under an old reporting standard, to report by a date on or after the date of revocation of the old reporting standard.

**Interpretation**

1. In this reporting standard:

***AASB*** references relate to the Australian Accounting Standards made by the Australian Accounting Standards Board;

***annual information*** means information required to be provided in respect of each financial year of a life company;

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

***half yearly information*** means information required to be provided in respect of each half yearly based on the financial year of a life company; and

***quarterly information*** means information required to be provided in respect of each quarter based on the financial year of a life company.

1. Unless the contrary intention appears, a reference to an Act, Prudential Standard, Reporting Standard, Australian Accounting or Auditing Standard is a reference to the instrument as in force from time to time.

**ATTACHMENT A**

#### **Life Insurance Reporting Requirements**

#### **General Instruction Guide**

# Introduction

The General Instruction Guide is intended to assist in the completion and lodgement of the reporting standards required to be lodged with APRA under the Reporting Standards made under section 13 of the *Financial Sector (Collection of Data) Act 2001* by companies registered under the Life Act*.* In this document 'life company' means any company registered under the Life Act, including a friendly society. References to 'life insurers' apply to life companies other than friendly societies.

Detailed instructions for the individual reporting items are provided in the specific instructions for each reporting standard. These specific instructions need to be considered in conjunction with this document, the relevant reporting standards and prudential standards[[1]](#footnote-2).

This General Instruction Guide covers all the reporting standards for life companies.

# Reporting level

This section details the reporting levels for completion of each reporting standard. Each reporting standard outlines whether reporting is required in respect of:

* Each statutory fund for a life insurer and each approved benefit fund for a friendly society;
* The shareholder fund for a life insurer and the management fund for a friendly society; and
* The life company (i.e. company as whole for both life insurers & friendly societies).

# Basis of preparation

# Year to date

The financial information required to be reported must be reported as at the close of business for the last day of the reporting period, or for the year-to-date period ending at the close of business on the last day of the reporting period, as relevant.

# General accounting basis

In completing the reporting standards, unless otherwise stated specifically, reporting life companies are to follow the basis consistent with the relevant Australian Accounting Standards. In particular, appropriate consideration must be given to the interpretation, the basis for measurement, and the netting between revenues/expenses items and financial assets/liabilities.

# Actuarial valuation basis

All actuarial valuations and calculations included in, or used in the preparation of the reporting standards must be performed in accordance with the relevant prudential standards. The determination of policy liabilities must be in accordance with *Prudential Standard* *LPS 340 Valuation of Policy Liabilities* (LPS 340).

APRA recognises that full actuarial and other valuation procedures may not be used for valuing policy liabilities in all reporting periods. In such cases, reasonable estimation may be applied for valuing policy liabilities and such estimation needs to be based on the detailed valuation procedures. It must be noted that where such estimation processes have taken place, the approximating valuation methodology used by the life company must be subject to the advice of the Appointed Actuary, in line with the requirements of *Prudential Standard CPS 320 Actuarial and Related Matters*.

# Fair value approach

For capital reporting purposes, fair values must be determined in accordance with *Prudential Standard LPS 112 Capital Adequacy: Measurement of Capital*.

For accounting reporting purposes, fair value has the same meaning as defined in *AASB 13 Fair Value Measurement.*

# Units of measurement

Unless otherwise indicated by the specific item instructions, all reporting standards are to be prepared in whole Australian dollars (AUD) with no decimal place. Ratios are to be expressed to 2 decimal places. Amounts denominated in foreign currency are to be converted to AUD in accordance with *AASB 121 The Effects of Changes in Foreign Exchange Rates*.

# Definitions

Definitions for the individual data items are included in the specific reporting instructions for each of the reporting standards.

Definitions, unless specified otherwise, apply to all life insurers and friendly societies. In a number of reporting standards, the term ‘statutory fund’ has been used to refer to a statutory fund of a life insurer or a benefit fund of a friendly society in the specific instructions. The term, ‘general fund’ has been used to refer to the shareholders’ fund of a life insurer or the management fund of a friendly society in the specific instructions.

Additionally, reference to shareholders has been used to refer to ‘members’ of a mutual association or society.

# Related parties

Where this term is used or referred to in the reporting standards, it has the same meaning as it does in *AASB 124 Related Party Disclosures*.

# Audit requirements

The reporting standards must be subjected to audit review and testing as detailed in *Prudential Standard LPS 310 Audit and Related Matters*.

# APRA Product Group classification

For consistency of reporting across the range of reporting standards applicable to life companies, APRA adopts a single set of product groupings for life insurers and friendly societies. The appropriate APRA product groups must be used in accordance with the specific reporting standard.

The following tables specify the product groups applicable to life insurers and friendly societies.

# Life insurers

The following product groups fall under participating and non-participating benefits. The expressions ‘participating benefits’ and ‘non-participating benefits’ are defined in the Life Act.

Within the relevant reporting standard, APRA has listed the product groups that apply.

| **Ref.** | **Product Group** | **Notes** |
| --- | --- | --- |
| L1 | Conventional  | Includes whole of life policies and endowment policies. |
| L2 | Annuity with longevity risk | Annuities providing periodic payments that are dependent on the continuance of human life. |
| L3 | Individual death – Stepped premium | Death benefit within policies issued on an individual basis with stepped premium. |
| L3\_1 | Individual lump sum risk – Stepped premium | Lump sum benefit within policies issued on an individual basis with stepped premium. Lump sum benefit includes death, TPD and trauma benefits. |
| L4 | Individual TPD – Stepped premium | TPD benefit within policies issued on an individual basis with stepped premium. |
| L5 | Individual trauma – Stepped premium | Trauma benefit within policies issued on an individual basis with stepped premium |
| L6 | Individual disability income insurance – Stepped premium | Disability income insurance benefit within policies issued on an individual basis with stepped premium.  |
| L7 | Individual death – Other | Death benefit within policies issued on an individual basis with non-stepped premium. |
| L7\_1 | Individual lump sum risk – Other  | Lump sum benefit within policies issued on an individual basis with non-stepped premium. Lump sum benefit includes death, TPD and trauma benefits. |
| L8 | Individual TPD – Other | TPD benefit within policies issued on an individual basis with non-stepped premium. |
| L9 | Individual trauma – Other | Trauma benefit within policies issued on an individual basis with non-stepped premium |
| L10 | Individual disability income insurance – Other | Disability income insurance benefit within policies issued on an individual basis with non-stepped premium. |
| L11 | Group death | Death benefit within policies issued on a group (wholesale) basis. |
| L11\_1 | Group lump sum risk | Lump sum benefit within policies issued on a group (wholesale) basis. Lump sum benefit includes death, TPD and trauma benefits. |
| L12  | Group TPD | TPD benefit within policies issued on a group (wholesale) basis. |
| L13 | Group trauma | Trauma benefit within policies issued on a group (wholesale) basis. |
| L14 | Group disability income insurance | Disability income insurance benefit within policies issued on a group (wholesale) basis. |
| L15 | Investment linked | Investment linked policies where policy benefits are associated with the performance of the supporting assets. |
| L16 | Investment policy with discretionary additions | Investment account business within the meaning of section 14 of the Life Act. |
| L17 | Other investment policy | Includes all other investment policies not specifically categories in L15 and L16. |
| L18 | Annuity without longevity risk | Annuities providing periodic payments that are not dependent on the continuance of human life. |
| L19 | Other | Includes all other policies not specifically categories above. However, do not use this Product Group unless APRA has been consulted beforehand. |

Refer to *Reporting Standard LRS 750.0 Claims and Disputes* (LRS 750.0) for the definitions of ‘Death’, ‘TPD’, ‘Trauma’ and ‘DII’.

Refer to LRS 750.0 for the definitions of ‘Group’ and ‘Individual’.

Stepped premium policies are the policies where premiums increase each year according to risk factors (i.e. age). Other individual policies are the individual policies that are not stepped premium policies (e.g. level premium policies and hybrid stepped premium policies). For a reinsurer, determination of whether the premium structure of a reinsurance contract issued is stepped or non-stepped must be based on the premium structure of the treaty, and not based on the premium structure of the underlying risks written by the cedants.

# Friendly Societies

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| --- | --- | --- |
| **Ref.** | **Product Group** | **Notes** |
| F1 | Education |  |
| F2 | Investment Account | As defined in section 14 of the *Life Insurance Act 1995*.  |
| F3 | Annuity and Superannuation |  |
| F4 | Defined Benefit Risk | All products classified as defined benefit, including defined benefit funeral products  |
| F5 | Capital Guaranteed Defined Contribution Funeral | Capital guaranteed funeral products that are classified as Defined Contribution. |
| F6 | Investment Linked | As defined in section 14 of the *Life Insurance Act 1995*. |
| F7 | Unallocated Benefit Fund Reserve | Value of benefit funds which has not been allocated to either the benefit fund members or to management fund. |
| F8 | Members’ Capital and Retained Profits | Members’ capital and retained profits allocated to members. |

The classification of participating and non-participating benefits does not apply to friendly societies.

# Principles for allocating *AASB 17 Insurance Contracts* (AASB 17) numbers to APRA product groups (life insurers)

Life insurers are to apply the allocation principles (outlined below) to allocate AASB 17 numbers to APRA product groups (outlined under section 5) where it is not possible to clearly identify AASB 17 numbers and assign it to specific APRA product groups.

* Principle 1: To the extent that AASB 17 balance sheet and income statement items can be readily allocated to APRA product groups, they must be so allocated. Otherwise, the items (including CSM and / or loss component) are to be allocated using allocation approaches. The allocation approaches are to reflect allocation drivers determined based on accounting and / or actuarial judgments. For example, an insurer may decide to determine annual premium income and / or expected claims to be the allocation drivers to allocate AASB 17 items using proportions and / or ratios.
* Principle 2: A systematic and rational approach must be applied.
* Principle 3: The approach must be consistent over time. However, an insurer may change the approach if it views that the approach is no longer appropriate based on accounting and / or actuarial judgements.
* Principle 4: The aggregate of the allocated numbers across APRA product groups must be consistent with AASB 17 numbers reported on a statutory basis.
* Principle 5: A single allocation approach need not necessarily be applied.

Allocation approaches and allocation drivers must be clearly documented. This would support clarity and consistent application of the approaches and drivers for APRA product group reporting over time. Insurers must to prepare a document outlining how they have applied the allocation principles to allocate AASB 17 items to APRA product groups for APRA reporting.

For clarity, life insurers must not use allocation principles to allocate AASB 17 insurance and reinsurance assets and liabilities across the components of the Life Act reporting structure (for details, refer to the requirements outlined in LPS 340).

1. Prudential standards determined by APRA under section 230A of the *Life Insurance Act 1995*. [↑](#footnote-ref-2)