



Financial Sector (Collection of Data) (reporting standard) determination No. 69 of 2023

Reporting Standard GRS 115.0 Outstanding Claims Liabilities – Insurance Risk Charge

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. 9 of 2023, including *Reporting Standard GRS 115.0 Outstanding Claims Liabilities - Insurance Risk Charge* made under that Determination; and
- (b) determine *Reporting Standard GRS 115.0 Outstanding Claims Liabilities – Insurance Risk Charge*, 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 GRS 115.0 Outstanding Claims Liabilities – Insurance Risk Charge* shall begin to apply to those financial sector entities, and the revoked reporting standard shall cease to apply, on the day *Reporting Standard GRS 115.0 Outstanding Claims Liabilities – Insurance Risk Charge* 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 GRS 115.0 Outstanding Claims Liabilities – Insurance Risk Charge comprises the document commencing on the following page.



Reporting Standard GRS 115.0

Outstanding Claims Liabilities – Insurance Risk Charge

Objective of this Reporting Standard

This Reporting Standard sets out the requirements for the provision of information to APRA relating to a general insurer's Insurance Risk Charge on outstanding claims liabilities.

It includes associated specific instructions and must be read in conjunction with *Reporting Standard GRS 001 Reporting Requirements* (GRS 001), including the general instruction guide, *Prudential Standard GPS 115 Capital Adequacy: Insurance Risk Charge* (GPS 115) and *Prudential Standard GPS 340 Insurance Liability Valuation* (GPS 340).

Authority

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

Purpose

2. The information reported to APRA under this Reporting Standard is used by APRA for the purpose of prudential supervision including assessing compliance with the capital standards.

Application and commencement

3. This Reporting Standard applies to all general insurers authorised under the *Insurance Act 1973* (insurers). This Reporting Standard applies for reporting periods ending on or after 1 July 2023.

Information required

4. An insurer must provide APRA with the information required by this Reporting Standard for each reporting period.

Method of submission

5. 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

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

Note: The annual information required from an insurer by paragraphs 4, 5 and 6(b), together with certain annual information required by other reporting standards, will form part of the insurer's yearly statutory accounts within the meaning of section 3 of the Insurance Act. This means that the information must be audited in accordance with paragraph 49J(1)(a) of the Insurance Act. Under subsection 49J(3), the principal auditor of the insurer must give the insurer a certificate relating to the yearly statutory accounts, and that certificate must contain statements of the auditor's opinions on the matters required by the prudential standards to be dealt with in the certificate.

7. If, having regard to the particular circumstances of an insurer, APRA considers it necessary or desirable to obtain information more or less frequently than as provided by subparagraph 6(a) or 6(b), APRA may, by notice in writing, change the reporting periods, or specify reporting periods, for the particular insurer.
8. The information required by this Reporting Standard in respect of an insurer must be provided to APRA:
 - (a) in the case of quarterly information, within 20 business days after the end of the reporting period to which the information relates;
 - (b) in the case of annual information, within three months after the end of the reporting period to which the information relates; or
 - (c) in the case of information provided in accordance with paragraph 7, within the time specified by notice in writing.

Note: Paragraph 49L(1)(a) of the Insurance Act provides that the auditor's certificate required under subsection 49J(3) of that Act must be lodged with APRA in accordance with the prudential standards. The prudential standards provide that the certificate must be submitted to APRA together with the yearly statutory accounts. Accordingly, the auditor's certificate relating to the annual information referred to in subparagraph 6(b) must be provided to APRA by the time specified in GRS 001 (unless an extension of time is granted under GRS 001).

9. APRA may, in writing, grant an insurer an extension of a due date in paragraph 8, in which case the new due date will be the date on the notice of extension.

Note: For the avoidance of doubt, if the due date for a particular reporting period falls on a day other than a usual business day, an insurer is nonetheless required to submit the information required no later than the due date.

Quality control

10. The information provided by an insurer under this Reporting Standard must be the product of systems, processes and controls that have been reviewed and tested by the Appointed Auditor of the insurer. This will require the Appointed Auditor to review and test the insurer's systems, processes and controls designed to enable the insurer to report 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 Appointed 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 as may be amended from time to time, to the extent that they are not inconsistent with the requirements of *Prudential Standard GPS 310 Audit and Related Matters*.
11. All information provided by an insurer under this Reporting Standard must be subject to systems, processes and controls developed by the insurer for the internal review and authorisation of that information. It is the responsibility of the Board and senior management of the insurer to ensure that an appropriate set of policies and procedures for the authorisation of data submitted to APRA is in place.

Authorisation

12. When an officer, or agent, of an insurer provides the information required by this Reporting Standard using an electronic format the officer, or agent, must digitally sign the relevant information using a digital certificate acceptable to APRA.
13. If the information required by this Reporting Standard is provided by an agent who submits the information on the insurer's behalf, the insurer must:
 - (a) obtain from the agent a copy of the completed information provided to APRA; and
 - (b) retain the completed copy.
14. An officer, or agent, of an insurer who submits the information under this Reporting Standard for, or on behalf of, the insurer must be authorised by either:
 - (a) the Principal Executive Officer of the insurer; or
 - (b) the Chief Financial Officer of the insurer.

Variations

15. APRA may, by written notice to the insurer, vary the reporting requirements of this Reporting Standard in relation to that insurer.

Transition

16. An insurer 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 1 July 2023; and
- (b) in relation to which the insurer 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 an insurer 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 insurer is still required to provide any overdue reporting documents in accordance with the old reporting standard.

Interpretation

17. In this Reporting Standard:

- (a) unless the contrary intention appears, words and expressions have the meanings given to them in *Prudential Standard GPS 001 Definitions* (GPS 001); and
- (b) the following definitions are applicable:

Appointed Auditor means an auditor appointed under paragraph 39(1)(a) of the Insurance Act;

APRA-authorised reinsurer means an insurer carrying on reinsurance business. For the purposes of this definition, a Lloyd's underwriter as defined under the Insurance Act is an APRA-authorised reinsurer if it carries on reinsurance business. The Australian Reinsurance Pool Corporation is also an APRA-authorised reinsurer for the purposes of this definition;

capital standards means the prudential standards which relate to capital adequacy as defined in GPS 001;

Chief Financial Officer means the chief financial officer of the insurer, by whatever name called;

financial year means the financial year (within the meaning in the *Corporations Act 2001*) of the insurer;

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.

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

Insurance Act means the *Insurance Act 1973*;

insurer means a general insurer within the meaning of section 11 of the Insurance Act;

Note: In this Reporting Standard, 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;

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

reporting period means a period mentioned in subparagraph 6(a) or 6(b) or, if applicable, paragraph 7.

18. 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.

Reporting Standard GRS 115.0

Outstanding Claims Liabilities - Insurance Risk Charge

General instructions

Reporting tables

Tables described in this Reporting Standard list each of the data fields required to be reported. The data fields are listed sequentially in the column order that they will appear in the reported data set. Constraints on the data that can be reported for each field have also been provided.

Any specific combination of values in the table must not appear on more than one row in that table when reported.

Definitions

Terms in ***bold italics*** are defined in this Definitions section of these instructions.

C

<i>Claims handling expenses</i>	This is the present value of <i>claims handling expenses</i> associated with the outstanding claims liabilities as determined under GPS 340 (GPS 340 OCL).
<i>Class of business</i>	<p>Report items by the direct or reinsurance <i>classes of business</i> in accordance with <i>Prudential Standard GPS 001 Definitions</i> (GPS 001).</p> <p>In respect of the ‘Other’ <i>class of business</i> as per GPS 001 for <i>direct business</i>, the Appointed Actuary is required to determine the most appropriate category (i.e. category A, B or C) as per Table 1 of Attachment A in GPS 115 that this business falls within. The choice must be based on the underlying risk characteristics of the business being written. The amounts reported in the <i>Other direct - category A</i>, <i>Other direct - category B</i> or <i>Other direct - category C</i> line items are to follow this basis.</p> <p>For <i>reinsurance business</i>, the classes of business are to be aggregated by the Category and Reinsurance Type as per Table 2 of Attachment A in GPS 115.</p>

D

<i>Direct business</i>	Report <i>direct business</i> written directly by the reporting insurer in accordance with the direct classes of business in GPS 001.
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<i>Discount on net outstanding claims</i>	This is the value of discounting on the GPS 340 net outstanding claims. This includes the impact of discounting the net actuarial central estimate of outstanding claims (excluding <i>claims handling expenses</i> and excluding risk margin).
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G

<i>Gross OCL - central estimate (excluding claims handling expenses)</i>	<p>This is the value, as at the relevant date, of the central estimate component of OCL, excluding <i>claims handling expenses</i> (CHE), gross of any recoveries, determined in accordance with GPS 340.</p> <p>The central estimate will be measured as the present value of the future expected payments, i.e. discounted for future investment income, determined in accordance with GPS 340. The central estimate is intended to reflect the mean value in the range of possible values for the outcome (that is, the mean of the distribution of probabilistic outcomes), and so does not include any risk margin.</p>
<i>Gross OCL - diversified risk margin</i>	This is the value, as at the relevant date, of the diversified risk margin component of OCL, including CHE, gross of any recoveries, determined in accordance with GPS 340. The diversified risk margin refers to the risk margin that has been applied to the <i>class of business</i> after allowance for diversification across the whole insurance portfolio.
<i>Gross OCL - total (including claims handling expenses)</i>	<p>This is the total of the central estimate and diversified risk margin for OCL, including CHE, gross of any recoveries, determined in accordance with GPS 340.</p> <p>It is calculated as the sum of:</p> <ul style="list-style-type: none"> • <i>gross OCL - central estimate (excluding claims handling expenses)</i>; • <i>claims handling expenses</i>; and • <i>gross OCL - diversified risk margin</i>.

N

<i>Net OCL - central estimate (excluding claims handling expenses)</i>	<p>This is the value, as at the relevant date, of the central estimate component of the GPS 340 OCL, excluding <i>claims handling expenses</i>, net of any reinsurance and non-reinsurance recoveries.</p> <p>It is calculated as:</p> <ul style="list-style-type: none"> • <i>gross OCL – central estimate (excluding claims handling expenses)</i>; <p>Less:</p> <ul style="list-style-type: none"> • <i>net OCL - non-reinsurance recoveries (central estimate)</i>; and • <i>net OCL - reinsurance recoverables (central estimate)</i>.
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<p>Net OCL - central estimate (including claims handling expenses)</p>	<p>This is the value, as at the relevant date, of the central estimate component of OCL, including claims handling expenses, net of any reinsurance and non-reinsurance recoveries, determined in accordance with GPS 340.</p> <p>It is calculated as the sum of:</p> <ul style="list-style-type: none"> • net OCL - central estimate (excluding claims handling expenses); and • claims handling expenses.
<p>Net OCL - diversified risk margin</p>	<p>This is the value, as at the relevant date, of the diversified risk margin component of OCL, net of any reinsurance and non-reinsurance recoveries, determined in accordance with GPS 340. The diversified risk margin refers to the risk margin that has been applied to the class of business after allowance for diversification across the whole insurance portfolio.</p>
<p>Net OCL - non-reinsurance recoveries (central estimate)</p>	<p>This is the value of recoveries under arrangements, other than reinsurance arrangements, receivable by the reporting insurer associated with the central estimate of OCL, net of any provisions for depreciation or impairment. It is determined in accordance with GPS 340. Recoveries to be included at this item include salvage, subrogation, and input tax credit recoveries, amongst others.</p>
<p>Net OCL - reinsurance recoverables (central estimate)</p>	<p>This is the value of reinsurance recoverables, being amounts due to the reporting insurer under a reinsurance arrangement, that arise from the recognition of the central estimate of OCL. It is determined in accordance with GPS 340 and must be reduced by the amount that is likely to become uncollectable in the future.</p>
<p>Net OCL - stand-alone risk margin</p>	<p>This is the value, as at the relevant date, of the stand-alone risk margin component of OCL, net of any reinsurance and non-reinsurance recoveries, determined in accordance with GPS 340. The stand-alone risk margin refers to the risk margin that would be applied to a class of business where no allowance for diversification with other classes of business has been allowed.</p>
<p>Net OCL - total</p>	<p>This is the total of the central estimate and diversified risk margin for OCL, including CHE, net of any reinsurance and non-reinsurance recoveries, determined in accordance with GPS 340.</p> <p>It is calculated as the sum of:</p> <ul style="list-style-type: none"> • net OCL - central estimate (including claims handling expenses); and • net OCL - diversified risk margin.

O

<i>OCL capital factor %</i>	This is the outstanding claims risk capital factor applicable to each <i>class of business</i> as per GPS 115.
<i>OCL Insurance Risk Charge</i>	<p>The risk charge for outstanding claims risk relates to the risk that the value of net OCL determined in accordance with GPS 340 will be insufficient to cover associated net claim payments and any associated claim expenses as they fall due.</p> <p>This is to be determined in accordance with GPS 115.</p> <p>The <i>OCL Insurance Risk Charge</i> is calculated for each combination of <i>business type</i> and <i>class of business</i> as:</p> <ul style="list-style-type: none"> • <i>net OCL – total</i> <p>multiplied by:</p> <ul style="list-style-type: none"> • <i>OCL capital factor %</i>. <p>Apply a zero risk charge where <i>net OCL – total</i> is negative.</p>

R

<i>Reinsurance business</i>	This refers to the <i>reinsurance business</i> written by the reporting insurer in accordance with the reinsurance classes of business GPS 001 and GPS 115. For <i>reinsurance business</i> , the classes of business are to be aggregated by the category and reinsurance type as per Table 2 of Attachment A in GPS 115.
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Specific instructions

Table 1: Outstanding Claims Liabilities - Insurance Risk Charge

Reporting basis

Report the components of the GPS 340 OCL by *class of business* for *direct business* and *reinsurance business*.

Units of measurement

Report values in whole Australian dollars (no decimal places).

Were actuarial services used to complete this return?

Use the drop-down selection to report whether actuarial services were used to complete this table. If actuarial services were used input 'Yes' otherwise input 'No'.

	Name	Valid values	Description
1	Class Of Business	Direct classes of business: <ul style="list-style-type: none"> • Householders • Commercial Motor • Domestic Motor • Other Direct - Category A • Travel • Fire and ISR • Marine • Aviation • Consumer Credit • Other Accident • Other Direct - Category B 	Report the <i>class of business</i> .

	Name	Valid values	Description
		<ul style="list-style-type: none"> • Mortgage • CTP • Public and Product Liability • Professional Indemnity • Employers Liability • Cyber • Directors and Officers • Other Direct - Category C <p>Reinsurance classes of business:</p> <ul style="list-style-type: none"> • Proportional - Category A • Proportional - Category B • Proportional - Category C • Non-proportional - Category A • Non-proportional - Category B • Non-proportional - Category C 	
2	Gross OCL - Central Estimate (Excluding Claims Handling Expenses)	Whole dollars	Report the <i>gross OCL - central estimate (excluding claims handling expenses)</i> .
3	Claims Handling Expenses	Whole dollars	Report the <i>claims handling expense</i> .

	Name	Valid values	Description
4	Gross OCL - Diversified Risk Margin	Whole dollars	Report the <i>gross OCL - diversified risk margin</i> .
5	Net OCL - Non-Reinsurance Recoveries (Central Estimate)	Whole dollars	Report the <i>net OCL - non-reinsurance recoveries (central estimate)</i> . Non-reinsurance recoveries should be reported as a positive number if they act to reduce the gross OCL.
6	Net OCL - Reinsurance Recoverables (Central Estimate)	Whole dollars	Report the <i>net OCL - reinsurance recoverables (central estimate)</i> . Reinsurance recoverables should be reported as a positive number if they act to reduce the gross OCL.
7	Net OCL - Stand-Alone Risk Margin	Whole dollars	Report the <i>net OCL - stand-alone risk margin</i> .
8	Net OCL - Diversified Risk Margin	Whole dollars	Report the <i>net OCL - diversified risk margin</i> .
9	Discount On Net Outstanding Claims	Whole dollars	Report the <i>discount on net outstanding claims</i> .