

GRF_410_0 Movement in Outstanding Claims Liabilities

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

Explanatory notes

Direct business

Section 1 is to be completed for the insurance business written directly by the reporting insurer and is to be reported in accordance with the direct classes of business in Attachment B of *Prudential Standard GPS 001 Definitions* (GPS 001).

Reinsurance business

Section 2 is to be completed for the reinsurance business written by the reporting insurer, reported in accordance with the reinsurance classes of business in Attachment B of GPS 001 and Attachment A of *Prudential Standard GPS 115 Capital Adequacy: Insurance Risk Charge* (GPS 115). The reinsurance classes of business are to be aggregated by the Category and Reinsurance Type in Table 2 of Attachment A of GPS 115 for reporting on this form.

Accident year

Direct writers of insurance business are to complete this form based on accident year. This refers to the financial year that the losses/claims associated with individual policies are incurred.

Lenders mortgage insurance business, while it is to be completed on an underwriting year basis, should be reported in Section 1 of this form with the direct classes of business.

Information for each of the following accident years is to be reported: current accident year; accident year 1-3 years previous; accident year 4-5 years previous; accident year greater than 5 years previous.

Underwriting year

Insurers writing reinsurance business are to complete this form based on underwriting year. This refers to the financial year of the insurer in which the policy incepts, regardless of when the premiums and claims are actually reported, booked or paid.

Information for each of the following underwriting years is to be reported: current underwriting year; underwriting year 1-3 years previous; underwriting year 4-5 years previous; underwriting year greater than 5 years previous.

Instructions for specific items

Class of business

Report the items in these sections by the direct or reinsurance classes of business in accordance with Attachment B of GPS 001.

For the purpose of calculating the Insurance Risk Charge on GRF 115.0 and GRF 115.1 in respect of the 'Other' class of business as per GPS 001 for direct business, the Appointed Actuary is required to determine the most appropriate category (i.e. category A, B or C) in Table 1 of Attachment A of GPS 115 that this business falls within. The choice must be based on the underlying risk characteristics of the business being written. This amounts reported in the *Other direct - category A*, *Other direct - category B* or *Other direct - category C* line items are to follow this basis.

OCL net of recoveries (undiscounted)

This is the value, as at the relevant date, of the outstanding claims liabilities (OCL), net of any related recoveries, determined in accordance with *Australian Accounting Standard AASB 1023 General Insurance Contracts* (AASB 1023), but not discounted as required by AASB 1023.

For the purposes of this form the total of the OCL for the current financial year (on an undiscounted basis) is to be allocated across the respective time buckets specified on the form. Accordingly, each year that this form is completed the OCL that is recorded for the respective time buckets will likely change as this is reassessed.

For the 'Direct business' and 'Reinsurance business', amounts are to also include all OCL associated with business sourced through underwriting pools or joint ventures, or portfolio transfers/acquisitions.

Reserve release

Reserve release refers the occasions when a provision was created / posted for a particular prior financial year and subsequently it is found that this provision will be more than is required to pay for the losses associated with this particular accident year for direct writers of insurance and underwriting year for reinsurance writers. In these instances the insurer releases these excess provisions and they become profits in the current financial year of the insurer. Claim payments (that are debited out of the OCL for accounting purposes) are not to be classified as a reserve release for the purposes of this form.

Enter reserve releases as a positive figure.

Reserve strengthening

Reserve strengthening refers the occasions when a provision has been created / posted for a particular prior financial year and subsequently it is found that this provision will be insufficient to pay for the losses associated with this particular accident year for direct writers of insurance and underwriting year for reinsurance writers. In these instances the insurer strengthens or increases these provisions in the current financial

year by adding additional provisions to accommodate the losses associated with this particular prior accident / underwriting year and this becomes a reduction in profit (i.e. claims expense in profit and loss in the current financial year).

Enter reserve strengthening as a positive figure.

Section 3: Total

For this section, lenders mortgage insurance business will be included in the totals for direct business.

Total direct business

Each item in this row is automatically calculated as the sum of each corresponding column in Section 1 across the classes of business.

Total reinsurance business

Each item in this row is automatically calculated as the sum of the Proportional and Non-proportional items in Section 3 for each corresponding column.

Proportional

Each item in this row is automatically calculated as the sum of each corresponding column in Section 2 across the proportional reinsurance classes of business.

Non-proportional

Each item in this row is automatically calculated as the sum of each corresponding column in Section 2 across the non-proportional reinsurance classes of business.

Total

Each item in this row is automatically calculated as the sum of the Total direct business and Total reinsurance business items in Section 3 for each corresponding column.