

## **GRF\_310\_2 Claims Expense and Reinsurance Recoveries**

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 and is to be 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 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.

### **Instructions for specific items**

#### **Sections 1, 2 and 3**

##### **(1) 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 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.

##### **(2) Claim payments made in the current year**

This is the value of claim payments recognised during the relevant period, gross of any associated reinsurance recoveries and non-reinsurance recoveries. This item is to be determined in accordance with *Australian Accounting Standard AASB 1023 General Insurance Contracts* (AASB 1023).

**(3) OCL at beginning of financial year**

This is the value of the outstanding claims liabilities (OCL), as at the beginning of the reporting insurer's financial year, as determined in accordance with AASB 1023. This is gross of reinsurance recoveries and non-reinsurance recoveries.

**(4) OCL at end of period**

This is the value of the OCL, as at the end of the current reporting period, as determined in accordance with AASB 1023. This is gross of reinsurance recoveries and non-reinsurance recoveries.

**(5) Total gross claims expense**

This is the value of insurance claims expense recognised during the relevant period, gross of any associated reinsurance recoveries and non-reinsurance recoveries.

It is automatically calculated as Column 2 less Column 3 plus Column 4. The total amount across all direct and reinsurance classes of business should correspond to *Gross claims expense* in *GRF 310.0 Income Statement* (GRF 310.0).

**(6) Non-reinsurance recoveries revenue received in the current year**

This is the value of revenue from recoveries other than those from reinsurance in respect of insurance claims received in the current financial year. This item is determined in accordance with AASB 1023. Recoveries to be included at this item include salvage, subrogation, and input tax credit recoveries, amongst others.

**(7) Non-reinsurance recoveries receivable at beginning of financial year**

This is the value, as at the beginning of the reporting insurer's financial year, of recoveries under arrangements other than reinsurance arrangements, receivable by the reporting insurer associated with the OCL. This item is to be determined in accordance with AASB 1023.

**(8) Non-reinsurance recoveries receivable at end of period**

This is the value, as at end of the current reporting period, of recoveries under arrangements other than reinsurance arrangements, receivable by the reporting insurer associated with the OCL. This item is to be determined in accordance with AASB 1023.

**(9) Non-reinsurance recoveries revenue relating to current and prior years**

This is the value, for the duration of the relevant period, of revenue from recoveries other than those from reinsurance in respect of insurance claims relating to current and prior years.

It is automatically calculated as Column 6 less Column 7 plus Column 8.

**(10) Reinsurance recoveries revenue received in the current year**

This is the value, for the duration of the relevant period, of revenue from reinsurance recoveries in respect of insurance claims received in the current financial year. This item is to be determined in accordance with AASB 1023.

**(11) Reinsurance recoveries receivable at beginning of financial year**

This is the value, as at the beginning of the reporting insurer's financial year, of reinsurance recoverables, being amounts due to the reporting insurer under a reinsurance arrangement that arise from the recognition of OCL. This item is to be determined in accordance with AASB 1023.

**(12) Reinsurance recoveries receivable at end of period**

This is the value, as at end of the current reporting period, of reinsurance recoverables, being amounts due to the reporting insurer under a reinsurance arrangement that arise from the recognition of OCL. This item is to be determined in accordance with AASB 1023.

**(13) Reinsurance recoveries revenue relating to current and prior years**

This is the value, for the duration of the relevant period, of revenue from reinsurance recoveries in respect of insurance claims relating to current and prior years.

It is automatically calculated as Column 10 less Column 11 plus Column 12.

**(14) Net claims expense**

This is the value of insurance claims expense recognised during the relevant period, net of any associated insurance recoveries.

It is automatically calculated as Column 5 less Column 9 less Column 13. The total amount across all direct and reinsurance classes of business should correspond to *Net claims expense* in GRF 310.0.

**(15) Current period net claims expense**

This is the value of net insurance claims expense recognised during the relevant period, but which only relate to the current period. Current period net claims expense represents: current period claims payments; current period reported outstanding case estimates (i.e. case estimates created in the current period); and current period incurred but not reported (and incurred but not enough reported) claims expenses.

Current period net claims expense should be defined and reported according to the following: net of all recoverables (including input tax credits reinsurance, salvage, subrogation and other recovery types); inclusive of claims handling expense, assuming that industry generally includes claims handling costs with the claim paid component of the incurred claims expense; the outstanding claims component be inflated only i.e. undiscounted; and the outstanding claims component be on a central estimate basis i.e. without risk margins.

'Current period' should only include claims incurred in the current accident year. For this purpose the current accident year should be aligned to the insurer's current financial year.

For reinsurers, claims expense in the current financial year to date attributable to each of the current and immediately prior underwriting years should be adopted.

The total amount across all direct and reinsurance classes of business should correspond to *Net claims expense which is: Current period net claims expense* in GRF 310.0.

#### **(16) Non-recurring items that are part of total net claims expense**

This is the value of net insurance claims expense recognised during the relevant period, but which only relate to non-recurring items. Non-recurring net claims expense represents those net claims expenses that are not classified as current period, and is a balancing item such that current period net claims expense and non-recurring claims expense are equal to net claims expense.

The total amount across all direct and reinsurance classes of business should correspond to *Net claims expense which is: Non-recurring items that are part of total net claims expense* in GRF 310.0.

### **Section 3: Total**

#### **(17) Reinsurance recoveries received (cashflow basis)**

Report the amount of reinsurance recoveries received over the reporting period (on a year to date basis). Do not include reinsurance recoveries recognised on an accrual basis, as that is recognised in *Reinsurance recoveries revenue relating to current and prior years*.

This relates to all reinsurance recoveries received on a cash flow basis in the current financial year, regardless of the financial year in which the reinsurance recovery may have been recognised as revenue (i.e. a prior financial year).

#### **(18) Claims paid (cashflow basis)**

Report the amount of claims actually paid over the reporting period (on a year to date basis). This relates to all claims paid on a cash flow basis in the current financial year, regardless of the financial year in which the claim may have been recognised as an expense (i.e. a prior financial year).

### **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.

### **Parent entity**

Report the amounts in Columns 5, 9 and 13 that are with/from the parent entity of the reporting insurer.

### **Controlled entities / Controlled entities of the parent**

Report the amounts in Columns 5, 9 and 13 that are with/from a subsidiary of the reporting insurer, or another branch of the parent entity for a Category C insurer.

### **Associates / Joint Ventures**

Report the amounts in Columns 5, 9 and 13 that are with/from an associate or joint venture of the reporting insurer.

### **Other related parties**

Report the amounts in Columns 5, 9 and 13 that are with/from a related entity of the reporting insurer that is not the parent entity, a subsidiary, an associate or a joint venture of the reporting insurer.