

GRF_115_0: Outstanding Claims Liabilities - Insurance Risk Charge

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

Were actuarial services used to complete this return (Yes / No)

If actuarial services were used to complete this form input 'Yes', otherwise input 'No'.

(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.

For reinsurance business, the classes of business in Table 2 of Attachment A of GPS 115 are to be aggregated by the Category and Reinsurance Type for reporting on this form.

(2) Gross OCL - Central estimate

This is the value, as at the relevant date, of the central estimate component of outstanding claims liabilities (OCL), gross of any recoveries, determined in accordance with *Prudential Standard GPS 320 Actuarial and Related Matters* (GPS 320).

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 320. 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.

(3) Gross OCL - risk margin

This is the value, as at the relevant date, of the diversified risk margin component of OCL, gross of any recoveries, determined in accordance with GPS 320. 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.

(4) Gross OCL - Total

This is the total of the central estimate and diversified risk margin for OCL, gross of any recoveries.

The OCL relates to all claims incurred prior to the valuation date, whether or not they have been reported to the insurer. The value of the OCL must include an amount in respect of the expenses that the insurer expects to incur in settling these claims. The value of OCL must not include any Government charges directly imposed on the insurer such as levies, duties and taxes, but must be gross of input tax credit recoveries.

It is automatically calculated as Column 2 plus Column 3.

(5) Non-reinsurance recoveries

This is the value of recoveries under arrangements, other than reinsurance arrangements, receivable by the reporting insurer associated with the OCL, net of any provisions for depreciation or impairment. It is determined in accordance with GPS 320. Recoveries to be included at this item include salvage, subrogation, and input tax credit recoveries, amongst others.

(6) Reinsurance recoveries

This is the value of reinsurance recoverables, being amounts due to the reporting insurer under a reinsurance arrangement, that arise from the recognition of OCL. The value must be reported net of any provisions for doubtful debts. It is determined in accordance with GPS 320.

(7) Net OCL - Central estimate

This is the value, as at the relevant date, of the central estimate component of OCL, net of any reinsurance and non-reinsurance recoveries, determined in accordance with GPS 320.

(8) Net OCL - Stand-alone risk margin

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 320. 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.

(9) Net OCL - Diversified risk margin

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 320. 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.

(10) Net OCL - Total

This is the total of the central estimate and diversified risk margin for OCL, net of any reinsurance and non-reinsurance recoveries.

It is automatically calculated as Column 7 plus Column 9.

(11) OCL capital factor %

This is the outstanding claims risk capital factor applicable to each class of business as per Attachment A of GPS 115.

(12) OCL Insurance Risk Charge

This is the Insurance Risk Charge in respect of outstanding claims risk, which relates to the risk that the value of the net OCL is greater than the value determined in accordance with GPS 320.

It is automatically calculated as Column 10 multiplied by Column 11.

(13) Net OCL per GRF 300.0

This is the value, as at the relevant date, of the OCL, net of any recovery assets that relate to the gross OCL (including reinsurance recoveries, GST recoveries and other recoveries), determined in accordance with *Australian Accounting Standard AASB 1023 General Insurance Contracts* (AASB 1023).

The total across all classes of business should correspond to 'Total Amount' column amounts for Item 16 less Item 2.4.1 less Item 2.2.2.1 in *GRF 300.0 Statement of Financial Position*.

(14) OCL surplus / (deficit)

This is the amount by which the OCL, net of any recoveries, determined in accordance with AASB 1023 exceeds (or is in deficit of) the equivalent figure determined in accordance with GPS 320.

It is automatically calculated as Column 13 less Column 10.

Section 3: Total**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 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 classes of business.

Adjustments to OCL Insurance Risk Charge as approved by APRA

If APRA is of the view that the Standard Method for calculating the OCL Insurance Risk Charge component of the prescribed capital amount does not produce an appropriate outcome in respect of a reporting insurer, or a reporting insurer has used inappropriate judgement or estimation in calculating the OCL Insurance Risk Charge, APRA may adjust the OCL Insurance Risk Charge calculation for that reporting insurer.

Approved adjustments are to be reported separately in the associated table highlighting the description of the adjustment given, transitional status and amount of adjustment applied. An increase in the risk charge is to be reported as a positive amount.

This is calculated automatically as the sum of Column 3 in the table that follows.

Total

Each item in this row is automatically calculated as the sum of the Total direct business, Total reinsurance business and Adjustments and exclusions to OCL Insurance Risk Charge items in Section 3 for each corresponding column.